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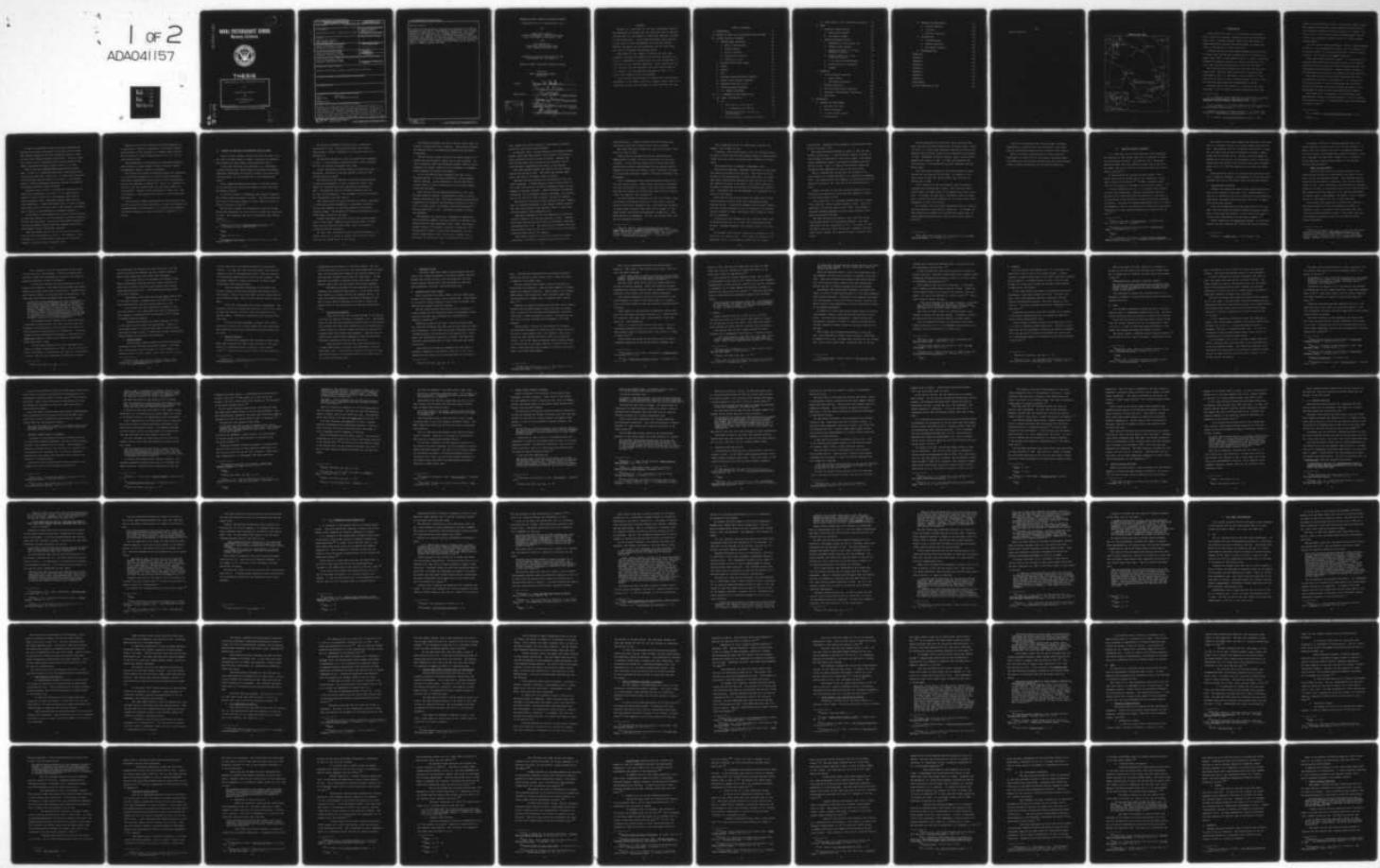
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# NAVAL POSTGRADUATE SCHOOL

## Monterey, California



# THESIS

## Implications of U.S. Arms Sales to Iran

by

James Walter Mueller

and

Eric Beasley Nye

March 1977

Thesis Advisor:

B. Huff

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## Implications of U.S. Arms Sales to Iran

by

James Walter Mueller  
Lieutenant Commander, United States Navy  
B.A., University of Minnesota, 1963

and

Eric Beasley Nye  
Lieutenant, United States Navy  
B.A., Oberlin College, 1970

Submitted in partial fulfillment of the requirements for the degree of

## MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS

from the

NAVAL POSTGRADUATE SCHOOL  
March 1977

## Authors

Approved by:

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**Thesis Advisor**

## cond Reader

Chairman, Department of National Security Affairs

Dean of Information and Policy Sciences

#### ABSTRACT

Current U.S. arms sales to Iran were investigated against the background of charges that the sales were "out of control," and that the U.S. was becoming a modern-day "merchant of death" in the Persian Gulf. Iran's arms requirements were analyzed in the light of Iran's perceptions of local and regional threats, her desire for area stability, and her need to protect her oil resources and shipping lanes.

Rationales for U.S. supply of arms to Iran were also examined, including the mutuality of national interests, the high U.S. dependency on Persian Gulf oil, and the benefits of arms sales to U.S. defense industries. Major implications of the arms sales are the dependency of Iran's armed forces on U.S. support, and the unwritten commitment of the U.S. to supply that support for the next decade.

Iran and the United States will reduce their strong interdependency in the future, as the U.S. adopts a more restrictive arms sales policy, and Iran shops in other countries for arms.

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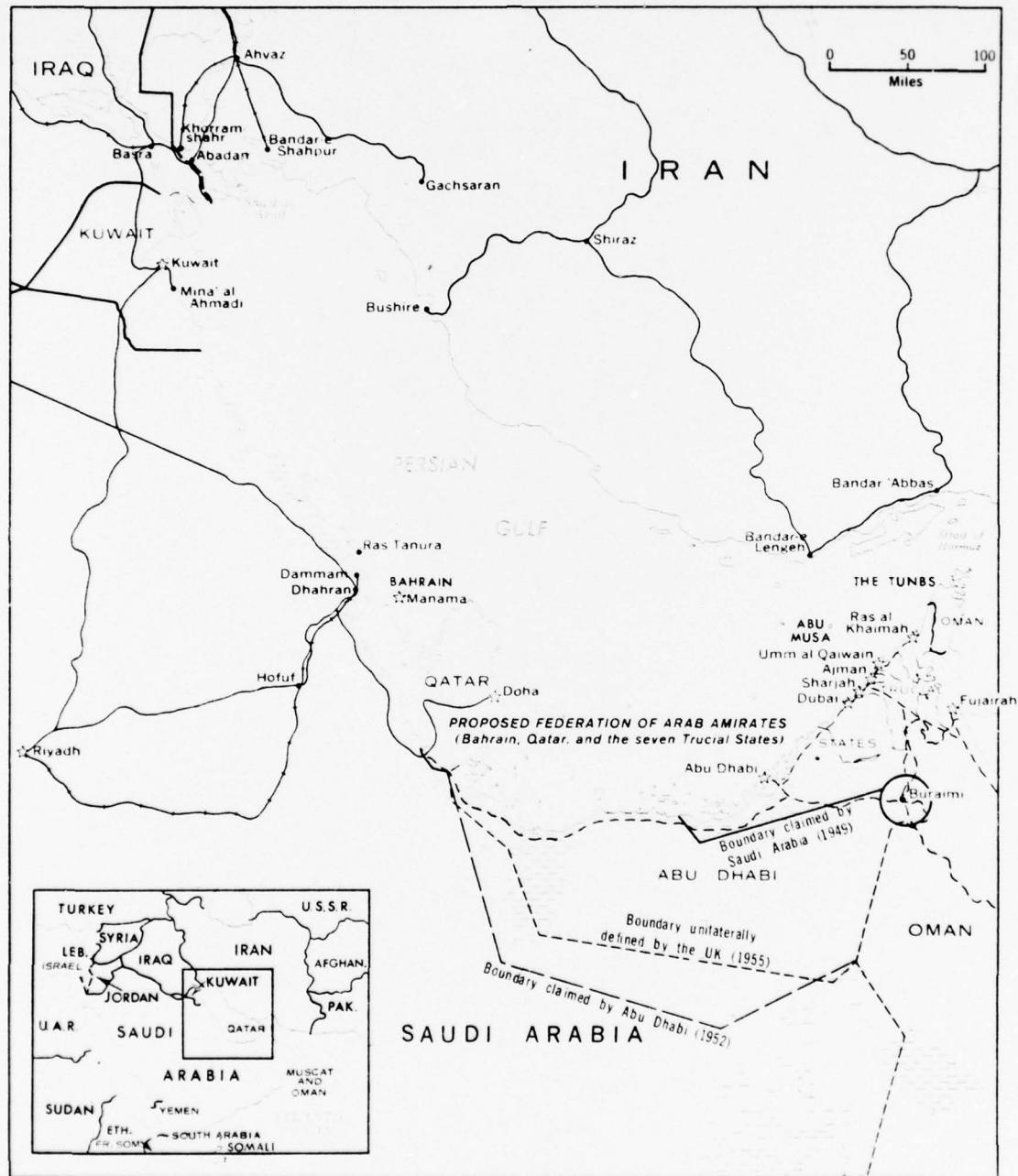
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MAP

Persian Gulf Area

9

## PERSIAN GULF AREA



## I. INTRODUCTION

Since Fiscal Year 1972, U. S. arms sales to the government of Iran have totaled a staggering \$10.4 billion through July, 1976. In annual figures, these sales have shown an almost seven-fold increase from \$524-million in Fiscal Year 1972 to \$3.9-billion in Fiscal Year 1974.<sup>1</sup>

Although the annual rate dropped somewhat to \$2.6-billion in Fiscal Year 1975 and was estimated to be \$1.3-billion in Fiscal Year 1976,<sup>2</sup> it was expected that U. S. sales of military hardware and support services to Iran would continue to be at or near the \$2-billion-per-year level into the 1980's.<sup>3</sup>

The pace may have slackened, but the level of sales will remain high. Recently these arms sales to Iran have been described in the U. S. Congress as "out of control."<sup>4</sup> Not only have the sales to Iran increased sharply in dollar value, but also they have become all-encompassing in nature.

Consider some of the recent U. S. deliveries and sales contracts: 80 F-14 fighter aircraft equipped with the most

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<sup>1</sup>U. S. Congress, House Committee on International Relations, United States Arms Sales to the Persian Gulf, p. 5, U. S. Government Printing Office, Washington, D. C., 1976.

<sup>2</sup>U. S. Congress, U. S. Senate Committee on Foreign Relations, U. S. Military Sales to Iran, p. VIII, U.S. G.P.O., 1976.

<sup>3</sup>"Secretary Kissinger Attends Session of U.S.-Iran Joint Commission," Department of State Bulletin, 6 Sep 76, p. 310.

<sup>4</sup>U. S. Senate, U. S. Military Sales to Iran, p. XIII.

modern air-to-air missile system - the Phoenix (100+nm range); four Spruance-class modern, multi-purpose destroyers which will be better equipped and armed than the U. S. models; 300 F-16's the U. S. Air Force's latest fighter/bomber; and 250 F-18L's, the land-based version of the U. S. Navy's newest fighter design.

The list goes on almost endlessly: 209 F-4 fighter/bombers, 12 RF-4's - the reconnaissance version, 170 F-5 fighters, six P-3 patrol planes, 56 C-130 cargo aircraft, 13 KC-707 tanker aircraft, and 12 Boeing 747 transport aircraft.

Other purchases and orders include U. S. M-60 tanks, the improved Hawk surface-to-air missile system, M-113 armored personnel carriers, 155mm and 175mm self-propelled guns, TOW and Dragon anti-tank missiles, advanced attack, transport, and minesweeping helicopters, and Harpoon anti-ship missiles.

With this huge influx of military hardware has come a corresponding increase in the number of U. S. military and civilian personnel in Iran to help manage the deliveries, provide and oversee the training program, and assist in the maintenance of these new and very sophisticated weapons.

The number of U. S. personnel in Iran has grown from approximately fifteen to sixteen-thousand in 1972 to twenty-four-thousand in 1976.<sup>5</sup> It could easily reach fifty-thousand or higher by 1980.<sup>6</sup>

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<sup>5</sup>U. S. Senate, U. S. Military Sales to Iran, p. VIII.

<sup>6</sup>Ibid., p. 1.

It must be re-emphasized that these arms contracts and deliveries have been cash sales; not grants, aid, or loans. The Iranians generally have paid top-dollar prices in cash for the latest weapons systems they desired. Even so, there has arisen a host of questions about various facets of the recent large-scale military sales by the U. S. to Iran.

Some of the more commonly-asked questions are listed here. Is the U. S. promoting stability in the Persian Gulf or fueling an arms race? Does the U. S. really gain influence in Iran through the arms sales, or is the U. S. entangling itself in future undesirable conflicts through its technical involvement with the Iranian military?

By arming Iran, is the U. S. protecting Persian Gulf oil from Soviet aggression; or is the U. S. in effect paying ransom in arms for OPEC oil? Some suggest that the U. S. should determine Iran's legitimate defense needs and sell arms accordingly. Others ask whether the U. S. has a rational arms sales policy; and if so, who in the Congress, the Department of State or the Department of Defense controls it.

Is the Shah of Iran expanding the roles of Iran's military to meet real threats, or is he fostering a re-birth of Persia's ancient military might? Can he find the trained personnel to man his new weapons without diverting manpower from Iran's much-needed internal development programs?

Does the quantum jump in the size of his armed forces make him more independent of the U. S. for defense, or more dependent on U. S. technological know-how and logistical support to make his modern equipment work?

These are some of the questions currently addressed by a wide range of scholars, congressmen, and defense experts. The objective of this research is to answer these questions and to outline the future implications to the U. S. of its arms sales to Iran.

The methodology is the descriptive, case-study approach which draws on a large volume of recent articles, papers, Congressional reports, studies, and books.

The Iranian arms sales are examined against the background of an historical perspective of Iranian foreign relations. The Iranian requirements for arms and its real and potential threats are analyzed in Chapter III. Next U. S. interests in arms for Iran, the Persian Gulf, and the Indian Ocean are investigated. Chapter V takes three major issues, oil, arms, and stability - and examines them from U. S. and Iranian perspectives.

The concluding chapter synthesizes the implications drawn from the similarities and differences in those two perspectives. Recommendations for alternative U. S. policies are presented, including forecasts of Iranian reactions to changes in U. S. policy.

## II. HISTORY OF IRAN AND ITS RELATIONS WITH THE WEST

Initial contact between Iran and the West was made in 63 B.C. when the Roman Emperor, Pompey, conquered the Selucids and extended the Roman Empire into present-day Iraq.<sup>7</sup>

In the 16th and early 17th Centuries A.D., Shah Abbas, a native Persian shah, opened Persia to European influences; exchanging ambassadors with Russia, England, and other European countries. He also opened Iran to the European sea trade.<sup>8</sup>

Iran's modern boundaries were drawn in the 19th Century at the conclusion of various wars between Iranian, British, and Russian forces.<sup>9</sup>

In 1828 the Treaty of Turkmanchay gave Russian commercial and consular agents entrance to Persia. The British awoke at this time to the danger implicit to their empire in India of Russian influence in Iran.<sup>10</sup>

The British, through the entrepreneur, Baron von Reuter, gained the concessions in 1872 to build railways and industries in Iran. The concession was later relinquished under Russian pressure.

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<sup>7</sup> American University, Area Handbook for Iran, p. 44, U. S. Government Printing Office, 1971.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid., pp. 54, 55.

<sup>10</sup> Encyclopedia Britannica, 15th Edition, vol. 9, p. 860, Benton, 1974.

The foreign concessions did their part in awakening nationalism in Iran. The popular protests that arose in 1889 against a tobacco concession to the British led to its cancellation.

The British obtained the first oil exploration concession in Iran. It was granted to William D'Arcy in 1901, although oil was not actually discovered until 1908.

Iranian nationalists finally wrested a constitution and a parliament, the Majles, from Shah Mozzafar od-Din in 1906 shortly before his death.

The British and the Russians, fearing the growing threat of German encroachments in Iran, divided the country into spheres of influence with the Anglo-Russian convention of 1907. The Russians took the northern provinces, and the British, the southeastern. The southwest with its oil riches yet undiscovered, was left neutral.

This imperialistic division outraged the Iranian parliament. In 1908 the new Shah, Mohammed Ali, suppressed the Majles, killing many members in a shelling attack by the Persian Cossack Brigade. The Brigade was staffed with Russian officers hired under contract by the Shah.

Popular uprisings around the country left the Shah powerless to quell them. Russian troops occupied Tabriz in 1909, where one such rebellion flourished, under the pretext of protecting Russian nationals.

By July, 1909, nationalists forces deposed Mohammed Ali in Tehran, sent him in flight to Russia, and called his eleven-year-old son, Ahmed Mirza, to the throne.

The Russians occupied the city of Kazvin, again under the pretext of protecting their nationals. The British protested the Russian action, and competition between the two powers intensified.

The new Iranian regime called on the United States as an outside balancing power to manage Iran's poor finances. In 1911 an American named William Morgan Shuster acted as Iran's treasurer for nearly a year until his dismissal in December under pressure and threats from Russia.

In 1913 the British Navy converted from coal to oil, focusing British, if not world attention on Iran's primary natural resource. During World War I, Britain and Russia occupied parts of Iran to protect the oil and other concessions from the Turks.

After the war and the Russian Revolution of 1917, the British feared the spread of Bolshevism to India by way of Russian influence in Iran. The British offered twelve-million pounds-worth of financial and military assistance to Iran in 1919 - an offer which, if accepted, would have amounted to British suzerainty in Iran. The Majles refused to ratify the agreement.

The Russians, for their part, attempted to establish a Soviet Socialist Republic in Gilan Province of northern Iran. Having failed at this experiment after a year, the Soviets signed a Treaty of Friendship with Iran in February, 1921, cancelling all Tsarist treaties and concessions, and all Soviet claims against Iran. Article Six, however, was a provision for the Soviet Union to intervene militarily in

Iran, should Iran ever be used by a third power as staging ground for hostilities against Russia.

In February, 1921, a young officer of the Persian Cossack Brigade named Reza Kahn staged a coup d'etat in conjunction with a political writer, Sayyid Zia ad-Din. Between 1921 and 1925 Reza Kahn rose to power as war minister, and as prime minister, supplanting his cohort in the process.

Reza Kahn renamed himself Reza Pahlavi and was elected shah by the Majles in 1925. Reza Shah thus deposed Ahmad Mirza, the last of the Qajar rulers of Persia.

Meanwhile foreign interest and involvement in Iran continued unabated. A second American mission came to Iran in 1923 under the direction of Arthur Millspaugh, again for the purpose of managing finances. Under Millspaugh's successful leadership, Iran's revenues steadily increased. His contract ran out at the end of 1926, however, and was not renewed.

Relations with the Soviet Union centered around a dispute over the Russian concession in the Caspian fishing industry. The issue was settled in the Russians' favor in 1926 after they had placed a trade embargo on Iran.

Reza Shah responded in 1927 by renouncing the extraterritorial rights of all foreign countries in Iran. Disputes with Great Britain over the D'Arcy oil concession continued nonetheless until 1933. The negotiations concluded that year granted better terms to Iran on oil profits from the British-dominated Anglo-Iranian Oil Company.

Reza Shah's campaign to rid Iran of foreign influence continued in 1935 when he removed British access to two

coaling stations. Further friction with the British came from Iran's territorial claim to the Bahrain Islands.

Reza Shah officially changed the name of his country from Persia to Iran in 1935.

Iran's relative freedom from foreign domination was demonstrated in August, 1938 with the opening of the first railroad. It ran from the Caspian Sea to the Persian Gulf, and was built without incurring debt to any foreign country. Germany at this time did, however, exert a dominant influence in Iran through industrial exports, technical assistance, and propaganda.

Iran's independence from outside domination proved to be the lull before a storm. When signing the mutual non-aggression pact with Hitler in August, 1939, the Soviets described Iran and the Persian Gulf as the "main area of Soviet aspirations" for expansion and influence.<sup>11</sup>

Following Germany's declaration of war on the USSR, potential German fifth-column operation in Iran posed a serious threat to the Soviet resupply lines. Reza Shah was reluctant to expel German nationals from Iran; and on August 25, 1941, Great Britain and Russia simultaneously invaded Iran. Reza Shah abdicated in September. His son, the present Shah, then age 22, ascended the throne.

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<sup>11</sup> Nollau, Günther, Russia's Southern Flank; Soviet Operations in Iran, Turkey, and Afghanistan, pp. 7,8, Praeger, 1963. The Soviets expressed similar aspirations in four-power treaty talks with Germany in November, 1940. See Wilmot, Chester, The Struggle for Europe, p. 71, Harper, 1952.

Iran's communist party, the Tudeh Party, meaning "the masses," was founded in 1942.

In January, 1942 Great Britain, Iran, and the USSR signed a treaty in which the two great powers agreed to withdraw their forces from Iran within six months after cessation of hostilities.

Iran declared war on Germany in September, 1943.

The Soviets conducted a repressive occupation of the northern Iranian provinces during the war. They would not allow British or American personnel to enter their zone, nor would they permit agricultural products to leave the zone to feed the needier provinces in the south. This latter restriction was meant to embarrass the British who occupied the southern zone. Furthermore the Soviets demanded oil concessions in the north on harsh terms.

After the war the Soviets refused to remove their troops from Azerbaijan Province where they established another "popular regime." Under stern pressure from President Truman, and under Iranian promises of an oil concession, the Soviets finally withdrew in 1946. The Majles later refused to ratify the oil agreement.

Although Iran had obtained yet more favorable terms from the Anglo-Iranian Oil Co. in 1949, the nationalistic Prime Minister, Mohammed Mosaddeq, nationalized Iranian oil in May, 1951.

In September Great Britain imposed an oil embargo on Iran which hurt the country badly. Iran lacked the technical and managerial skills to successfully market her oil without

British help. Mosaddeq broke diplomatic relations with Great Britain in August, 1952.

The Shah challenged Mosaddeq for power in 1953 and felt forced to leave Iran. A coup by General Zahedi on August 19, 1953 brought the Shah back to Iran and to power. The United States immediately supplied the Zahedi government with \$45-million in aid. The U. S. Central Intelligence Agency was alleged to have supported the coup in the first place.

The oil industry was revived with the creation of an international oil consortium under U. S. auspices in September, 1954. The consortium ran the industry in conjunction with the National Iranian Oil Co., with 50% of the profits going to Iran.

Soviet influence to Iran was curtailed sharply with the discovery and expulsion of more than 400 communist officers in the Iranian Army in 1954.

Iran joined the U. S.-sponsored Baghdad Pact with Turkey, Iraq, Pakistan, and the United Kingdom in 1955. Iraq withdrew after a socialist coup in July, 1958. Iran signed a bilateral defense agreement with the United States in 1959 under strong Soviet protest.

The Shah dissolved the Majles in May, 1961 for its obstructionism against his land-reform program. The first land-reform law was introduced in 1962. On January 26, 1963 the Shah's so-called "White Revolution," embodying land and other social reforms, was endorsed through a national referendum.

Iranian relations with the Soviet Union improved after 1962, the year the Shah declared that no foreign power, implying the U. S., would stage offensive missiles on Iranian soil. Improved Soviet-Iranian trade and oil agreements were reached in 1964. Agreements on mutual fishing, steel, and gas developments were signed in 1965. In 1966 Iran bargained for \$110-million of "non-sensitive" military equipment from the Soviet Union.

Iran continued to depend on the United States and Great Britain for the majority of her arms. In response to the Soviet deal of 1966, the United States sold Iran the F-4 Phantom jet in 1967.

Iran's reliance on the non-communist West for defense equipment was strengthened in April, 1972, when the Soviet Union signed a 15-year treaty of friendship with Iran's rival, Iraq. In October the Shah went to Moscow to reach an agreement in which the Soviets assented to the Persian Gulf states' management of their own affairs.

On 21 March, 1973 Iran fully nationalized her oil industry through negotiation with the oil consortium. In December the OPEC states met in Tehran and unilaterally raised their oil prices from \$3.65-per-barrel to \$8.30, and a month later to \$10.46.<sup>12</sup>

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<sup>12</sup>"As OPEC Moves to Boost Oil Prices Again," U. S. News and World Report, 29 November 1976, p. 25.

Iran's oil revenues and her military budget increased significantly, permitting her the substantial arms orders from the United States which are the subject of this thesis.

One of the major justifications for these sales was diminished on 6 March 1975 at the Algiers Conference where Iran ended her long-standing disputes with Iraq over waterway rights, national boundaries, and the Kurdish rebellion.

### III. IRANIAN SECURITY INTERESTS

U. S. arms sales to Iran have been most often requested and justified on the grounds that Iran is required to insure its own physical security. The Shah has said, "Those who depend on others for their defence because they do not have the means, the guts or the will to provide their own, are no longer countries."<sup>13</sup>

In talking about his threats the Shah stated, "Don't forget that we have [threats from] four directions, as any other country in the world."<sup>14</sup> He adds, "Everybody knows that if this country is attacked, we are going to resist..."<sup>15</sup>

A major problem for the U.S. is to measure these threats and sell arms accordingly. National sovereignty and self-defense are critical and sensitive questions, particularly in the evaluation of one country's threats and security problems by another. Secretary of Defense Schlesinger noted, "It should be remembered, that we are dealing with sovereign nations whose perceptions of their defense needs may not coincide with our own."<sup>16</sup>

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<sup>13</sup> "Persia Once More," The Economist, 31 October 1970, Vol. 237, No. 6636, p. vii-vlii.

<sup>14</sup> "Remarks by Shah On Iran's Policies," The New York Times, 24 September 1975, p. 8.

<sup>15</sup> Ibid.

<sup>16</sup> U.S. Department of Defense, Annual Defense Department Report, Fiscal Year 1976, U.S. Government Printing Office, 1975.

The threats to Iran could indeed come from many directions. Iran is a non-Arab country in an almost totally Arab environment. Additionally Iran has the dubious distinction of being the only major Persian Gulf oil-producer to share a common border with the Soviet Union. Finally, being extremely dependent on oil to pay for its development, Iran is quite concerned about the safety of oil-carrying sea lines of communication (S.L.O.C.) from the Persian Gulf out into the Indian Ocean.

These potential threats are examined here, beginning with Iran's immediate neighbors, and expanding to the Persian Gulf regional area, and to the Indian Ocean and the major powers.

#### A. IRANIAN-IRAQI RELATIONS

Probably the biggest and most visible threat perceived by Iran is its neighbor to the west, Iraq. Though smaller in land and in population than Iran (one-third Iran's population), Iraq poses a paramount threat; both by itself and in combination with other factors.

Since the assassination of Iraqi King Faisel II in July, 1958, Iran has viewed the radical Baathist-socialist leadership in Iraq with much concern. At the time of the coup, it "caused grave consternation in the Iranian cabinet."<sup>17</sup>

Almost immediately the status quo changed. A traditional monarch had been displaced by a leftist-socialist government.

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<sup>17</sup> Avery, P., Modern Iran, p. 479, Praeger, 1965.

In November, 1958 Abd' al-Kassem expanded Iraq's territorial waters to twelve miles, and Iran did likewise. In March, 1959 Iraq withdrew from the U.S.-sponsored regional military alliance, the Baghdad Pact composed of Turkey, Iraq, Iran, Pakistan, and the United Kingdom (U.S. as observer). Iraq's departure undermined any chance of real regional security and cooperation.

#### 1. Shatt al-Arab Dispute

The next major source of tension between the two countries was stirred up in 1959-1960 by the matter of the Shatt al-Arab (Arvand-Rud) waterway. This waterway problem resulted from the Treaty of Erzerum in 1847 and the Frontier Treaty in 1937, which stated that "the International boundary should lie in part at the low-water mark on the Iranian side."<sup>18</sup> The problem arose with discovery of oil and the development of Iranian ports at Khorramshahr and Abadan. Iran's shipping channel to the Persian Gulf lay in Iraqi territory.

Iran claimed that these early treaties were counter to the normal practice of setting boundaries on median, or "thalweg," lines - a practice which would have given both riparian states navigational rights. Iran stated that the old treaties were forced on her by the colonial powers, Turkey and Britain.

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<sup>18</sup> American University, op. cit., p. 318. See also Chubin, Shahram and Sephr Zabih, The Foreign Relations of Iran, University of California Press, 1974, p. 171. See also Ghavami, Taghi. "Shatt-al-Arab Crisis," Naval War College Review, September-October 1974, Vol. XXVII No. 4, p. 58.

For a period of time Iran was forced to pay duties to Iraq for use of the waterway. Follow-on meetings were called to reduce the unsatisfactory situation, but Iraq was generally reluctant to make any changes.

In 1959 Iran charged Iraq with interfering with its ships in the waterway. Both sides issued charges and counter-charges, and they alerted their armed forces. Neither side was willing, however, to push the issue to hostilities. The Shah made the following statement about the dispute:

In the past we had agreements with Iraq on the Shatt al-Arab which were never respected by Iraq...Naturally a river which forms the boundary between two nations cannot be used exclusively by one side only...We cannot accept the imperialistic policy of Iraq in this respect. We hope, however, that the government will accept our friendship, adopt a good neighborly policy, and not only try to settle all outstanding differences but also make it possible for the two nations to maintain the best possible relations as two good neighbors.<sup>19</sup>

The boundary matter subsided for a short while, but re-emerged in February-May, 1961, when Iraq shut down the waterway, stranding ships in Iranian ports and causing reduced production and exportation of Iranian oil. Iraq again resisted entering meaningful discussions. Iran agreed to a status quo solution, pending the outcome of negotiations which never came to pass.

On both past occasions, Iran felt unprepared militarily to extract concessions from Iraq. Then for the third time in the decade a confrontation was made over the waterway. In April, 1969 the Iraqi government informed the Iranians

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<sup>19</sup>Chubin and Zabih, op. cit., p. 173.

that henceforth the waterway was Iraqi territory, that the Iranian flag would be lowered, and that Iranian nationals aboard ships transiting Iraqi water would disembark.

Iran viewed this as an ultimatum and replied firmly. Tehran unilaterally annulled the 1937 treaty, alerted its naval and air forces, and sent naval escorts with Iranian ships transiting the river. The Iraqis protested but made no military response.

Since April, 1969 there has been de facto Iranian use of the Shatt al-Arab. Iranians have flown their flag, have used Iranian pilots, and have not paid duties to Iraq.

On 6 March 1975 after talks held in Algeria, Iran and Iraq signed a joint Communiqué that defined "their maritime borders in accordance with the thalweg line"<sup>20</sup> (middle of deepest shipping channel).

Although this dispute has ended favorably for Iran, it did require Iran to make some concessions. Support to the Kurdish rebels in Iraq was ended and the Iranian border was closed to them as well. A new border through the disputed Nafte al-Shah oil region was also agreed to.

## 2. Kurdish Rebels

Another major conflict between Iran and Iraq besides the Shatt al-Arab has been the Kurdish problem. The Kurds are a large ethnic group of almost 2.5 million people, inhabiting parts of Syria, Turkey, Iraq, Iran, and the U.S.S.R.

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<sup>20</sup> "Extract From the Text of the Iraqi-Iranian Joint Communiqué," Middle East Economic Digest, 14 March 1975, p. 19. See also Appendix D.

In Iran they live in the Zagros Mountains of the Western Frontier. In Iraq they live along the border with Iran and comprise 15-20% of the population there. They are related to the Persians ethnically by religion and by language. They do differ, however, in their culture and in their tribal organization from other Persians.

Iran has supported integration of the Kurds into Iranian society, and has also developed the Kurdish area of the country. Iraq, on the other hand, has been suspicious of its 1.5-million Kurds, owing to their Persian ethnic relationship.

Since 1932 Iraqi Kurds have sought independence. The prevailing level of violence was raised to a civil war in 1961. By 1966 Iraq charged Iran with arming and supporting the Kurdish rebels. Ineffective cease-fires have occurred since that time.

The Shatt al-Arab agreement in March, 1975 finally called for an end to all Iranian support for the Iraqi Kurds. This ended one of the major sources of friction between Iran and Iraq.

### 3. Soviet Influence

Iranians have suggested that the Shatt al-Arab agreements were signed by the Shah in part because of "his apprehension of increasing Soviet influence in that country" (Iraq).<sup>21</sup> Since the Iraqi coup in 1958, Iran has viewed the

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<sup>21</sup>Pajak, R. F., "Soviet Military Aid to Iraq and Syria," Strategic Review, Winter 1976, p. 51.

increasing Soviet presence in Iraq with concern. Not only did the Russians sell and give Iraq large quantities of modern arms, but also they sent technical and military advisors to Iraq and made frequent naval visits to Iraqi ports. If Umm Qasr has not become an outright Soviet naval base, it has become a major stop for the Soviet Indian Ocean Squadron.

The Russian presence in Iraq, especially the naval presence, has caused the Shah concern. He has often cited this concern as a reason for his own armament efforts. He fears the combined pressure of the Soviet presence to the West in Iraq, Soviet influence to the East in India, and Soviet forces to the North along the 1200-mile border with Iran.

#### 4. Persian Gulf Disputes

Iran took by force the two Tumb Islands in the Persian Gulf near the Straits of Hormuz in December, 1971. The nearby island of Abu Musa was obtained the month before by negotiation. Iran claimed that these three islands had to be controlled by a strong country to prevent rebels from gaining control and wrecking havoc with Persian Gulf shipping. Iraq saw this as another move toward Iranian hegemony in the area and broke diplomatic relations with Iran over the matter.

There has been friction over Iraqi exploitation of a common subterranean oil source near Khaneghain, Iraq and Nafte-Shah, Iran. Iran has also allegedly infringed on Iraqi territorial waters in the Persian Gulf with off-shore drilling on the continental shelf.

### 5. Iranians in Iraq

One other issue that causes tension between Iran and Iraq is the alleged harrassment of Iranian pilgrims visiting Islamic holy places in Iraq. Not only pilgrims, but also 30,000 Iranian citizens who lived and worked in Iraq have been persecuted, tortured, and evicted from Iraq.

### B. RELATIONS WITH SAUDI ARABIA

Iran's relations with Saudi Arabia, the only other major Persian Gulf regional power, are generally good. Saudi Arabia is the world's largest exporter of oil (Iran is second), and also has the largest known oil reserves.

The two countries have many similarities, including "a common concern for the monarchical form of government, strong ties with the West and a distaste for, and distrust of, Communist intentions."<sup>22</sup>

Especially since the 1967 War, relations between these two important neighbors have been good and the trend is toward more cooperation. Until 1967 the largest difference had been a border question in the sea bed of the Persian Gulf. This matter was successfully resolved in October, 1968 when both countries agreed essentially to draw a line down the middle of the Gulf.

Saudi Arabia was favorably impressed over the Shah's peaceful acceptance of the Bahrain plebiscite in 1971, and appreciates the stability Iran now provides for the Persian

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<sup>22</sup>Chubin and Zabih, op. cit., p. 174

Gulf. Iran has been impressed by her neighbor's economic wealth and ability to play a major role in restoring peace in general to the Middle East.

The two countries hold similar views on the need for local peace and stability. They are both opposed to radical groups and communist influence. Saudi Arabia's oil minister, Sheik Yamani, has stated that "Iran and Saudi Arabia have 'so many things in common' that 'we benefit from a strong Iran.'"<sup>23</sup>

Recently an issue has arisen which may well cause concern between Iran and Saudi Arabia, namely the OPEC oil prices. Iran, in spite of all the Shah's pronouncements, has been a hard-liner in desiring higher oil prices. He opted for the 10%, plus 5% later, increase at the December, 1976 OPEC meeting.

Saudia Arabia, through its influential oil minister, strained OPEC relations by announcing that Saudia Arabia and the U.A.E. would support only a 5% increase. This single action may have spelled the doom of OPEC as an effective cartel. Due to the large development plans already underway in Iran and the oil revenues required to fulfill them, the Saudi stance has had a major negative effect on Iran and on many of the other OPEC members.

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<sup>23</sup>"Saudi Sees No Objection to U.S. Arms Sales to Iran," The New York Times, 10 August 1976, p. 8.

This issue is extremely sensitive and bears careful watching. When asked if the pricing policy might cause tension, the Shah responded:

...there never would be conflict involving Iran and Saudi Arabia. Differences between myself and Saudi Arabia never existed, except at the last meeting of OPEC.<sup>24</sup>

The only other matter which might mar Saudi-Iranian relations is Persian hegemony. While the Saudis do now acknowledge that Iranian military might is helpful in providing stability to the region, the future remains uncertain.

Any Iranian expansionist policy to the detriment of her Gulf neighbors is likely to put Saudi Arabia in a natural role as the Arab leader of the only regional countering force available.

Saudi Arabia is also currently undertaking a major arms build-up, and sales are mostly from the U. S. Items include F-5 fighters, M-60 tanks, and a large amount of base construction. (See Appendix G)

Still it is hard to call this an arms race. "Iran is consciously grooming itself as a military power...whereas Saudi Arabia gives its defence plans a low profile, in spite of their size."<sup>24</sup>

Sheik Yamani has stated on this subject that he saw no "immediate objection to the United States' proposed arms

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<sup>24</sup> "Tough Talk on Oil, Arms, Investments," Business Week, 24 January 1977, p. 36.

<sup>25</sup> "Iran," Middle East Economic Digest, 31 December 1976, pp. 31, 32.

sales to Iran," but that he "hoped that the fears of some Arabs that Iran was 'dreaming of taking some parts of the Arab world' would not materialize."<sup>26</sup>

In the absence of Iranian expansion plans, and in spite of differences on the price of oil, some believe there remains "nonetheless a strong political incentive for the two countries to cooperate (or at least contain the rivalry) in order to preserve the stability of the region."<sup>27</sup> There has even been talk of formal military cooperation between Iran and Saudi Arabia.

"Our relations are improving every day," said Ambassador Ali Riza Heravi, the Iranian foreign ministry spokesman. "We have so much in common. We have oil, we both belong to OPEC. We have no differences."<sup>28</sup>

#### C. KUWAIT

Iranian concern with tiny (7,780 sq. mi.) and rich (\$10,000-per-capita in 1974) Kuwait rests mainly in regard to the weakness of this oil-state. Iran fears that Kuwait might possibly be taken over by a radical Iraqi government.

Iran recalls that in 1961, almost as soon as Kuwait achieved full independence from Britain, it faced a crisis.

The Iraqi Premier at the time, Maj. Gen. Abdul Karim Kassim, claimed all of Kuwait as an integral part of Iraq. Kuwait, still connected with Britain in a treaty

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<sup>26</sup> "Saudi Sees No Objection to U.S. Arms Sales to Iran," The New York Times, 10 August 1976, p. 8.

<sup>27</sup> Chubin and Zabih, op. cit., p. 174.

<sup>28</sup> Pace, Eric, "Military Cooperation Seen As Iran-Saudi Ties Increase," The New York Times, 30 January 1975, p. 10.

of protection, received British troops who were stationed near the Iraqi border. An Arab League force later replaced the British.<sup>29</sup>

When Iraq embargoed Kuwait, Iran, fully supporting this new neighbor, ferried food to Kuwait in launches across the Gulf. They also provided naval escorts when these launches were fired upon by Iraqi gunboats, and they allowed the British the use of Iranian airspace during the incident.

Furthermore Iran established diplomatic relations with Kuwait in spite of Iraqi warnings that to do so would endanger their mutual relations. Iraq found little support even among its Arab neighbors to back its claim on Kuwait, and Iran was again alerted to the possibility of future territorial claims by the Baghdad government.

In March, 1973 there were armed clashes along the 99-mile Iraqi-Kuwaiti border, which had not been officially delineated. Iraq was again unsuccessful. These actions were considered as pressure on Kuwait to lease or relinquish two islands, Bubiyan and Warba, which lie near the Iraqi port of Umm Qasr.

The islands, which command the entrance to this new port, were described by Iraq's foreign minister, Abdul-Baqi, as essential for Iraq. He added that "without the two islands Iraq 'will not be a Gulf State' and warned that if the two

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<sup>29</sup>"Iraq and Kuwait Clash at Border," The New York Times, 21 March 1973, p. 6.

islands were occupied by foreign troops, 'Iraq would be cut off completely from the Gulf.'"<sup>30</sup>

It was reported that Iraq really wanted the islands "to protect the port, (Umm Qasr) where Soviet naval vessels called frequently following the signing in 1972 of a 15-year treaty of friendship and cooperation."<sup>31</sup>

This pressure from Iraq still continues. In February, 1977 a Kuwaiti foreign affairs official stated: "There are a few hundred Iraqis on our side of the frontier, here and there. But we do not consider it a major crisis."<sup>32</sup> Iraq's aims evidently remain the same.

The Iraqi pressure on the desert frontier is intended as a lever to persuade the Kuwaitis to cede or lease Bubiyan Island, say Kuwaiti government officials. They say there is no intention here of doing so.<sup>33</sup>

Both Iran and Saudi Arabia are concerned about Iraq's designs on Kuwait and the two islands. A takeover of Kuwait by Iraq would greatly enhance Baghdad's economic power.

Iran is pleased that Kuwait is upgrading its military capabilities with 36 U. S. A-4 Skyhawks, Hawk surface-to-air missiles, and 20 French-built F-1 Mirage jets.

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<sup>30</sup> de Onis, Juan. "Iraq-Kuwait Talk on Boundary Due," The New York Times, 5 April 1973, p. 9.

<sup>31</sup> "Kuwait Bars Leasing Two Islands to Iraq," The New York Times, 8 April 1973, p. 15.

<sup>32</sup> Cooley, J.K., "Kuwait Holds Firm in Iraqi Border Tiff," The Christian Science Monitor, 23 February 1977, p. 22.

<sup>33</sup> Ibid.

#### D. BAHRAIN

Iran's relations with Bahrain were in a large part concerned with Iran's claim to the island country. Iranian interest in Bahrain dates back to the 1500's when Iran occupied part of Bahrain. Although forced to leave, Iran has never dropped its claims with neither the follow-on Arab leaders of Bahrain nor the British.

In 1971 when Britain was about to withdraw from the Gulf and Bahrain, Iran again pressed its claim. The Shah, however, took a very moderate position, endorsing a United Nations "determination process," and also agreeing to the results: "virtually unanimous desire for independence as an Arab state."<sup>34</sup>

Supporters have often cited this incident as an example of the Shah's moderate policies, as opposed to those who stress Iranian expansionist aims.

Jufair harbor at Manama, Bahrain is the home port of the U. S. Navy's three-ship Middle East Force. The basing agreement with the new government of Bahrain was signed 23 December 1971, and was made to "continue the Middle East naval force as a flag-showing operation to manifest United States interest in the area."<sup>35</sup>

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<sup>34</sup> American University, op. cit., p. 321.

<sup>35</sup> Finney, J. W., "U.S. Agreement With Bahrain To Set Up Navy Base Disclosed," The New York Times, 6 January 1972, p. 1.

After the October 1973 War, Bahrain in a gesture of solidarity with the Arab cause, notified the United States that it would have to withdraw its small naval force within a year."<sup>36</sup>

COMMIDEASTFOR has remained in Bahrain, however.

The Iranian and Saudi governments are believed to have pressed Bahrain to rescind the order for American withdrawal so that some American military presence would remain in the gulf.<sup>37</sup>

Iran continues to support for the short term a U. S. presence in Bahrain, at least while Soviet naval forces still frequent the Gulf.

#### E. OMAN

Iranian-Omani relations are among the best in the Gulf. Oman has been an independent monarchy since 1650. The major factor involving the two countries is Persian Gulf security.

Since 1965 the Sultan of Oman has faced a direct threat from the radical Popular Front for the Liberation of Oman (P.F.L.O.), a force of guerrillas operating mostly in the remote and economically-neglected Dhofar Province.

The Dhofar rebels - sometimes called "militant Maoist,"<sup>38</sup> and listed at 750 to 1,000 in strength - controlled an area

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<sup>36</sup> Middleton, Drew. "Bahrain Is Said To Relent On U.S. Base," The New York Times, 4 October 1974, p. 4.

<sup>37</sup> Ibid.

<sup>38</sup> Pace, Eric. "Iranian Troops Helping Oman to Quell Rebels," The New York Times, 7 February 1975, p. 4.

with a population of up to 50,000 (of Oman's 600,000 population). The rebels had Chinese support in the beginning.

In 1968, following the British withdrawal from bases at Aden, the rebels made major gains in Dhofar Province. The group changed its name to "The Popular Front for the Liberation of the Occupied Arabian Gulf" (PFLOAG) and received additional aid from the U.S.S.R., Saudi Arabia, the People's Democratic Republic of Yemen, Cuba, and China.

1970 saw the aging Sultan Said Bin Taimur of Oman deposed by his son, Qabus. The new leader undertook enlarged military operations after his initial amnesty offer to the rebels failed. The enlarged Omani Army led by British officers and Baluchi (Pakistani) non-com's produced more effective results than in the past.

A 50 km. barbed wire minefield barrier was completed in August, 1974, which greatly reduced infiltration efforts from the West (the P.D.R.Y.). Iranian assistance started in September, 1972 with a three-helicopter unit. In late 1973 a thousand or more Iranian ground troops fought as part of a battalion of the Sultan's Armed Forces.

On 18 November 1973, P.D.R.Y. aircraft bombed Omani territory, and since then Iran has taken on the responsibility of the air defense of Oman. Iran moved F-5E fighters, CH-47 helicopters and Augusta-Bell 205 helicopter gunships to Oman, as well as radars and anti-aircraft guns, to assist in the actions against the rebels.

The Omani armed forces expanded to about 12,000 men, and the Iranian armed forces at one time numbered 4500 at the height of the war.<sup>39</sup>

On December 11 ('75) the Sultan announced that the 10-year struggle of the rebels, who call themselves the People's Front for the Liberation of Oman, had ended after a successful army offensive.<sup>40</sup>

Accordingly in January, 1977, "the Shah of Iran decided to withdraw most of his troops from Oman," which then numbered about 3,200.<sup>41</sup> Some units remain, and the Iranian "Imperial Air Force continues its regular flights across Omani air space."<sup>42</sup>

Relations with Oman have been important for Iran. The Shah sees rebel action there as a positive threat to "the soft underbelly" of Arabia, and more importantly to the critical nearby Straits of Hormuz.

The heavy Iranian military commitment and losses (one RF-4 lost and about 100 men killed) demonstrate his concern in the area. The Shah said that "if Oman were taken over by those savage communists, what would have happened to the whole Persian Gulf region?"<sup>43</sup>

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<sup>39</sup> "Oman-Iranian Troops to be Withdrawn," Middle East Economic Digest, 21 January 1977, p. 27

<sup>40</sup> Pace, E., "Iranians to Keep Soldiers in Oman," The New York Times, 11 January 1976, p. 15.

<sup>41</sup> "Oman-Iranian Troops to be Withdrawn," Middle East Economic Digest, 21 January 1977, p. 27.

<sup>42</sup> Kayhan International, 27 January 1977.

<sup>43</sup> "Recession's Impact on Iran," Business Week, 17 November 1975, p. 56.

Iran is also involved in talks with Oman which would "allow Iran's navy to enforce pollution-control regulations in the strategically important sector of Oman waters,"<sup>44</sup> the Straits of Hormuz. This is seen by some as an opportunity for Iran to increase its influence in this area under the guise of anti-pollution patrols.

Still the Shah's concern shows some insight, hypothesizing that a terrorist with one rocket fired from the Omni coast could hole or sink a 500,000-ton tanker whose oil leakage "would wreck the gulf possibly forever."

You could not clean out so much oil in such a place - the detergent required would ruin the Gulf Waters for years. We cannot permit this.<sup>45</sup>

#### F. REGIONAL IRANIAN SECURITY INTERESTS

In addition to the specific security concerns involving its individual immediate neighbors, Iran has a wider security interest in the Persian Gulf as a whole. These broader interests are dictated by the fact that Iran is a Persian Gulf oil producer, but a non-Arab one. Oil and the problem of Palestine are the issues that highlight Iran's security interests on a regional basis.

The crux of Iran's Persian Gulf security problem is the attempt not to mix oil and business with politics.

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<sup>44</sup>Pace, Eric. "Iran and Oman Combat Oil Spills in Gulf," The New York Times, 16 February 1975, p. 2.

<sup>45</sup>Foltz, C.S., "Why Should We Cut the Price of U.S. Oil?," U.S. News and World Report, 6 May 1974, p. 35.

Indeed, under a comprehensive agreement worked out in early 1962 between Israeli Finance Minister Levi Eshkol and the N.I.O.C. [National Iranian Oil Company], Iran has supplied crude oil for Israeli consumption.<sup>46</sup>

The Shah has stated on the matter of oil to Israel:

Once the tankers are loaded we don't mind where the oil goes. We have never really boycotted any country. We think that politics and commerce are separate.<sup>47</sup>

He went on to say that Iran would in fact supply Israel additional oil, if Israel gave up its Abu Rudeis oil fields in the Sinai as part of the Arab-Israeli peace settlement.

Iran's supplying oil to Israel places Iran at odds with most Arab countries, which are strongly committed to the Palestinian cause against Israel. To compensate somewhat for this stance, and to get along better in an Arab world, Iran has taken political and economic initiatives.

Iran has increased its high-level visits to the Arab states, and has given them some degree of foreign aid and soft loans.

Iran has supported the Arab states in their desire to regain the territories lost in the 1967 War. She has also provided humanitarian assistance to the Arabs and joined with other Muslim states in calling for the return of Jerusalem to Muslim control.<sup>48</sup>

In another move toward better regional relations, Iran renewed diplomatic relations with Iraq on 15 October 1973. These relations, recognizing the "Sovereignty of the two

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<sup>46</sup> Zabih, S., "Iran Today," Current History, February 1974, p. 69.

<sup>47</sup> Los Angeles Herald Examiner, 18 February 1975, p. 1.

<sup>48</sup> Chubin and Zabih, op. cit., p. 173.

neighboring Islamic states...in accordance with their strong historic relations,"<sup>49</sup> were agreed to on the eve of the October, 1973 War so that Iraq could "donate all its resources to the great national battle."<sup>50</sup>

As for actual relations with Israel, Iran does not feel the same enmity toward Israel as do the Arab countries. Iran has "continued her commercial relations with Israel and publicly affirmed (in 1967) the latter state's right to existence."<sup>51</sup>

The Shah has also spoken on this issue

It may have been true during the Nasser's [sic] enmity toward Iran, when we were weak, that it was to our interest that the Arab Israeli dispute be kept alive. But that's not so any longer.<sup>52</sup>

Placating his neighbors a degree further, the Shah states, "Of course Israel will have the heart to go back to her (original) borders."<sup>53</sup>

Certainly the Shah's primary interests in regional Gulf security are to be able to keep exporting high-priced oil, and in turn be able to pay for Iran's imports. These goals were emphasized in a 27 September 1958 press interview.

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<sup>49</sup> "Iraq-Relations with Iran Resumed," Middle East Economic Digest, 12 October 1973, p. 1191.

<sup>50</sup> Ibid.

<sup>51</sup> Chubin and Zabih, op. cit., p. 173.

<sup>52</sup> Oakes, J. B., "Shah Is Offering New Plan To Aid Developing Nations," The New York Times, 24 September 1975, p. 1.

<sup>53</sup> Ibid.

Questioner: The source of our biggest income, oil, is exported through the Gulf. Moreover, we are embarking on oil extraction from the offshore areas. All these require that we should be strong in this area and that we should have a strong navy.

The Shah: Iran's supremacy over the Persian Gulf is a natural thing. We already have this and shall enhance it in the future.<sup>54</sup>

With oil revenues so important to its livelihood and to that of other Gulf states, Iran does not want the situation upset by turmoil such as the 1958 Iraqi coup. The Shah has said, "Our policy is to keep the status quo in the area."<sup>55</sup>

Iran has attempted unsuccessfully to form a regional security arrangement with neighboring countries. They evidently are wary of any pact that would give legitimacy to Iran's suspected aims of hegemony in the area.

Earlier statements from the Shah, such as, "We are doing everything we can to regain our historic and natural position in the Persian Gulf,"<sup>56</sup> and "Since we are the dominant power in the Persian Gulf, we must rapidly strengthen our navy,"<sup>57</sup> have not made regional cooperation easier for the Arab Gulf states.

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<sup>54</sup> Chubin and Zabih, op. cit., p. 196.

<sup>55</sup> "Tough Talk on Oil, Arms, Investments," Business Week, 24 January 1977, p. 36.

<sup>56</sup> Chubin and Zabih, op. cit., p. 196.

<sup>57</sup> Pahlavi, Shah Mohammed Reza. Memoirs, p. 311.

The Shah is prepared to go ahead without their help.

We are for a regional cooperation pact. If it comes, so much the better. Otherwise Iran must be strong enough to be able to do it alone.<sup>58</sup>

Additionally the Shah has played down any hint of Gulf area rivalry, but he notes that the Arab states "without Iran to defend them would be dead."

Our first choice is to consult with all Arab countries on an equal basis. Our second choice is to go it alone if necessary.<sup>59</sup>

Iran took much pride in the fact that it was a leader in aiding Oman in its fight against the Dhofar rebels. The Shah viewed this action as the first big step in improving Gulf security.

Even so, some Arabs saw danger in the Iranian military action in Dhofar. Some saw it as merely a live-training exercise for an expansionist-minded country.

On the whole, however, the Shah has been sensitive to the fears of his Arab neighbors, and has attempted to accommodate them when possible. The end of overt Iranian support for the Kurds; the March, 1975 border agreement with his long-time rival, Iraq; and the fairly prompt withdrawal of his combat troops from Oman have demonstrated the Shah's sensitivity toward those fears.

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<sup>58</sup> "Recession's Impact on Iran," Business Week, 17 November 1975, p. 56.

<sup>59</sup> "The Shah: Thoughts Of A Royal Decision Maker," Time, 4 November 1974, p. 34.

#### G. INDIAN OCEAN SECURITY INTERESTS

Iran's interests in the security of the Indian Ocean encompass two major concerns. First there is the concern for the freedom of Iran's oil-carrying sea lines of communication, and second there is the concern about outside interference from the major powers.

Not only must oil-carrying tankers be able to load their oil and get through the Straits of Hormuz, but also they must be able to continue on to Japan, Europe, and America un molested, if Iran is to be assured of steady revenues. The Shah said:

We are forced to devote attention to our eastern frontier, our active presence in the Indian Ocean, and the unhampered shipment of our oil from the Persian Gulf to other parts of the world.<sup>60</sup>

A large part of Iran's policy to influence events and safeguard oil routes in the Indian Ocean is tied to its naval expansion program. The Shah has noted that "Iran once had a first-class navy, and it is fitting that she should regain her position among maritime nations."<sup>61</sup>

It has also been observed that

The Iranian navy is already the strongest naval power in the Persian Gulf today, but wishes to extend its influence to the Indian Ocean as well. Iranian naval units constantly participated in maneuvers with allied or friendly navies that are held not only in the Gulf but frequently

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<sup>60</sup> Interview with the Shah of Iran, Der Speigel, 8 December 1976,

<sup>61</sup> Chubin and Zabih, op. cit., p. 196.

also in the Indian Ocean. In November 1972 as many as 40 Iranian warships were reported at sea.<sup>62</sup>

Iran easily realizes that

In case of a serious conflict, the power enjoying maritime supremacy in the Indian Ocean could cut off this commercial traffic, which would have very rapid and grave consequences.<sup>63</sup>

Iran does not want this to happen. Its acquisitions of long-range P-3F maritime patrol planes and large, 6,800-ton Spruance-class destroyers are signs that Iran is carrying through its plans for a truly ocean-going navy.

Iran's naval units reportedly hold regular exercises with Pakistani submarines. Iran also participated in CENTO's MIDLINK '74, "the largest naval exercise ever held in the Indian Ocean."<sup>64</sup>

Iran accepts the current status of the super-powers' presence in the Indian Ocean, but looks forward to a change.

Our principal first-choice policy will be to see the Persian Gulf and then the Indian Ocean eventually free of outside powers. This means nonriparian states. But as long as some powers are there, we would not only object to the presence of the U.S. but on the contrary we would welcome it.<sup>65</sup>

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<sup>62</sup>Meister, J., "Iran's Naval Buildup," Swiss Review of World Affairs, July 1973, p. 16.

<sup>63</sup>Hess, P., "The Indian Ocean: 'A Zone of Peace?'", Swiss Review of World Affairs, September 1974, p. 10.

<sup>64</sup>Middleton, D., "U.S. in Exercise in Indian Ocean," The New York Times, 21 November 1974, p. 11

<sup>65</sup>"News Conference by Secretary Kissinger and the Shah of Iran, Zurich 18 February 1975," U.S. Department of State Bulletin, 10 March 1975, p. 294.

Reflecting a pro-U.S. policy, the Shah has stated that he "certainly would prefer to have the Indian Ocean policed by riparian states," but "as long as the Russian Navy shows a strong presence in the Gulf," the U.S. should remain.<sup>66</sup>

Until we can police our own ocean we cannot be surprised to see the superpowers in presence here.<sup>67</sup>

For the long-term the Shah and his neighbors support the concept of the Indian Ocean as a "zone of peace."

The Conference of Nonaligned Countries meeting at Lusaka in September 1970 called upon 'all states to consider and respect the Indian Ocean as a zone of peace from which great power rivalries and competition, as well as bases conceived in the context of such rivalries and competition, either army, navy, or air force bases, are excluded.'<sup>68</sup>

When and if this will ever really happen is highly problematic.

Intermixed in many of the local and regional security matters have been the relations of Iran with the major powers; the U.S.S.R., the U.S., and to a lesser extent, China.

#### H. RELATIONS WITH THE U.S.S.R.

Iranian-Soviet relations have a long history, most of it adverse to Iran. In the 1800's under Russian pressure, their common border gradually crept south. While well aware of its inferior position vis-a-vis its giant northern neighbor,

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<sup>66</sup>"'Why Should We?' Cut the Price of Oil to U.S.," Interview With the Shah of Iran, U.S. News and World Report, 6 May 1974, p. 35.

<sup>67</sup>Ibid.

<sup>68</sup>Burrell, R.M., and Cottrell, A.J., Iran, The Arabian Peninsula and the Indian Ocean, National Strategic Information Center, 1972, p. 44.

Iran has for the most part sought to retain an independent course of action.

The early part of the Twentieth Century saw Persia, though an independent country, dominated by two major powers: Tsarist Russia and Great Britain. They divided Iran between them for commercial purposes. Both countries occupied Iran during World War I, but the Russian Revolution caused the withdrawal of the Russian troops.

The new Soviet government, while renouncing the previous claims on Iran, acted much like the old Tsarist regime. A Red naval force bombarded Iran's port, Enzeli, on 18 May 1920 and occupied the city. Soviet troops later pushed further and announced the establishment of a Persian Soviet Socialist Republic in Gilan Province.

A year and a half later the Soviets finally left. Iran in the meantime had changed leaders in 1923 when Reza Shah, the present Shah's father, gained effective control.

The next major Soviet involvement with Iran occurred during World War II. After the War a secret Soviet-German agreement was recovered, in which the Soviets demanded Iran as a sphere of influence.

...the area south of Batum and Baku in the general direction of the Persian Gulf is recognized as the center of the aspirations of the Soviet Union.<sup>69</sup>

British and Russian forces entered Iran on 18 September 1941 to eliminate the German presence and later to provide a

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<sup>69</sup> Andrews, Maj. W.R., "The Azerbaijan Incident," Military Review, August 1974, Vol. LIV, No. 8, p. 76.

supply route to Russia. The British controlled southern Iran, and the Soviets held the north.

At the end of the war, the two powers were to withdraw their troops. As the British and American forces were leaving, however, the Russians increased their troops and tanks in Azerbaijan Province, secured the area, and supported a separatist movement in Kurdistan. It was not until the U. S. threatened action that the Soviets finally left Iran in May, 1946.

It is against this historical setting of continued Russian encroachment and occupation in the two World Wars that modern Soviet-Iranian relations are set. Although current relations are described as good, caution persists. Iran's alignment with the pro-Western Baghdad Pact in 1955 "infuriated the Russians who viewed the establishment of a tier of hostile Muslim states along the border as just the situation they had always sought to avoid."<sup>70</sup>

To counter this Pact, the Soviets made inroads in Iraq, Iran's arch-rival. The U.S.S.R. also tried to implement a Soviet-Iranian non-aggression pact in 1959. The talks failed, the U.S. and Iran signed an alliance, and the Soviets charged that the Shah "'under [U.S.] pressure' had followed a double-dealing and false policy against the Soviet Union' and had forced Iran to join 'the ranks of enemies' of the U.S.S.R."<sup>71</sup>

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<sup>70</sup>Corziat, Col. V.J., "Stability in the Persian Gulf," U.S. Naval Institute Proceedings, July 1973, p. 49.

<sup>71</sup>Donovan, J., ed., U.S. and Soviet Policy in the Middle East, Facts on File, 1974, p. 137.

The change in big power relationships in the early 1960's produced a thaw in Iranian-Soviet relations. A more confident Shah was able to pledge to the Russians that he would "not grant to any foreign state" the right to establish rocket bases on Iranian territory.<sup>72</sup>

The next year the two countries signed the first of several trade agreements. By late 1963 Soviet President Brezhnev visited Iran and stated that "we and Iran have no mutual claims to each other - either territorial or material."<sup>73</sup>

Iran scholar Sepehr Zabih states, "Despite outward cordiality, Iranian relations with the Soviet Union have been characterized by a lingering mistrust."<sup>74</sup> He lists three reasons for his conclusion: 1) The Soviets have influence in nearby states, i.e., Iraq, Afghanistan, and India. 2) U.S.-U.S.S.R. detente may be detrimental to Iranian interests. 3) The Soviets still desire a warm-water port in the Indian Ocean area.<sup>75</sup>

Iran has been concerned with heavy Soviet arms deliveries to Iraq, starting in 1958. The U.S.S.R.'s Treaty of Friendship and Trade with Iraq in 1971 did not ease Iran's concern. Iran also finds the Soviet aid to India and a similar treaty

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<sup>72</sup> Ibid., p. 174.

<sup>73</sup> Ibid., p. 175.

<sup>74</sup> Zabih, S., "Iran Today," Current History, February 1974, p. 66.

<sup>75</sup> Ibid.

unsettling. The 1973 coup in Afghanistan and that country's subsequent alignment toward the Soviet Union causes Iran additional uneasiness. Iran feels surrounded by the Soviet influence in these three countries, not to mention Mother Russia herself.

Iran is wary of the Soviet Indian Ocean Squadron that appeared within months of the British announcement of 1968 of their intention to leave the area. Since 1968 the Soviet naval units have grown steadily in number and in ship-day presence (Appendix H). Soviet usage of port facilities at Umm Qasr, Iraq and at Berbera, Somalia also aggravate the situation for Iran.

While present relations with the Soviet Union are usually described as good, the term must be used cautiously. Although large trade agreements have been made; and General Toufanian, Iran's Vice-Minister of War, recently made a military shopping tour in Moscow (23-30 November 1976), Iran looks upon the Russians with suspicion. The Shah regularly includes his long border with the U.S.S.R. as partial justification for his arms buys, and he often highlights communism as a major threat. "My only opponents are the Communists."<sup>76</sup>

#### I. IRANIAN-CHINESE RELATIONS

Though of recent origin, Iran's relations with the People's Republic of China have been steadily developing. As late as 1971 the main Chinese activity affecting Iran was China's

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<sup>76</sup>"The Shah: Thoughts of a Royal Decision Maker," Time, 4 November 1974, p. 34.

support to the Dhofar rebels in Oman. It was to both parties' benefit not to continue opposing each other in Oman, however, in the face of a larger common concern, the Soviet Union.

In 1971 Iran and China established diplomatic relations, and Empress Farah visited China that next year. In June, 1973 Chinese Foreign Minister Peng-Fei visited Tehran and "expressed support for Iran's military build-up as a natural and logical response to any potential threat of subversion or expansion in the Persian Gulf."<sup>77</sup>

As a definite anti-Soviet move he also agreed that only littoral states should provide security for the Gulf. These actions and statements evidently reflected a change in Chinese concerns.

In recent weeks Peking has let it be known through various channels that it is now less concerned about the Soviet threat along its northern frontier than about growing Soviet influence in southern Asia and the Persian Gulf. Not without some justification Peking fears that Moscow could use this influence to create an anti-Chinese alliance along China's southern flank.<sup>78</sup>

The new and improving relations with Iran seem to fit well with China's new evolutions. Chinese fear of Soviet encirclement also impinge on Iran in new areas, most importantly the India-Pakistan conflict. China supports Iran's neighbor, Pakistan, against India and its protector state, the Soviet Union.

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<sup>77</sup> Zabih, "Iran Today," p. 66

<sup>78</sup> Hess, "The Indian Ocean," p. 11.

While Chinese-Iranian relations are not of critical importance now, they are improving and could become more important in the near future.

#### J. U.S.-IRANIAN RELATIONS

The Shah has plainly stated that "relations with the United States now are excellent," and "there is no reason why they should not continue that way."<sup>79</sup>

President Nixon during his brief stop in Iran on 30 May 1972 likewise stressed the importance of U.S. support to Iran. Nixon noted "that it is vital that we build our policy on the alliances and friendships that we have had in the past, that we have now, and that we hope to have in the future."<sup>80</sup>

As between any two countries, problems are bound to exist. The major problems between Iran and the United States are the U.S. arms sales policy, and Iran's fear of big power dominance.

The Shah has openly stated that he cannot understand U.S. reluctance to let him buy whatever arms he desires. He sees Iran as an independent state that knows where it is going and what it needs. Outside advice and restrictions are viewed as meddling and paternalistic. He took a threatening tone in a Business Week interview regarding arms sales.

If officials of the new U.S. Administration tried to influence OPEC members by threatening to cut off arms sales, how would you react?

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<sup>79</sup> "'Why Should We?' Cut the Price of Oil to U.S.," U.S. News and World Report, 6 May 1974, p. 35.

<sup>80</sup> Semple, R.B., Jr., "Nixon Welcomed Warmly by Iranians," The New York Times, 31 May 1972, p. 1.

They are free to sell their arms to whom they please as I am free to sell my oil. We can shop around the world to fill our needs. Remember, too, that Iran could be a \$10 billion-a-year market that you would lose.

Do you mean that if the U.S. does not sell arms to Iran, Iran would curtail civilian purchases from the U.S.?

Yes, of course.<sup>81</sup>

Likewise he states that those who criticize his country for its human rights policies don't understand his country and its government. In fact he counterattacks with the proposal that the "freedoms" allowed in the West will lead those countries to become "decadent" and "sick."

In his view, the political factionalism and lack of public order that he sees in the United States and West Europe will ultimately bring about their decline.<sup>82</sup>

The Shah believes that Iran has been victimized by the big powers, including the U.S., for years through low prices paid for his oil. He continues to be plagued by the effects of high Western inflation, if not outright price gouging, in the arms and other commodities he must import.

'The bill that they are every day presenting us is something ridiculous.' The Shah cited 'the way that you are increasing your prices,' and asserted that 'every kind of commodity' sold by the industrial countries to the rest of the world was affected by inflation because those countries were unable to control their economies.<sup>83</sup>

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<sup>81</sup> "Tough Talk on Oil, Arms, Investments," Business Week, 24 January 1977, p. 36.

<sup>82</sup> Schulz, A. T., "Iran's New Industrial State," Current History, January 1977, p. 15.

<sup>83</sup> Saxon, W., "Shah Finds No Cut in Oil Flow to U.S.," The New York Times, 24 February 1974, p. 8.

Iran has consistently pushed for higher oil prices at the various OPEC meetings despite U.S. calls for restraint. Part of the Shah's justification for higher oil prices was that

his country wanted to warn the world that it must find other energy sources to heat homes and run trains lest oil fields run dry in 30 years. Oil is too precious for such uses, he said, because it forms the basic material for thousands of derivatives in the petrochemical field.<sup>84</sup>

Iran has supplied oil to Israel for some time with Washington's approval. Also Iran did not engage in the OPEC oil boycott of the U.S. and Israel following the October 1973 War. The Shah promises he will not embargo oil in the future either.

The Shah of Iran: We have never really boycotted anybody. It is not part of our policy. We think that politics and commerce are separate. We have not taken part in the first oil embargo, and we will not take part in any other embargo. No embargo can work anymore, because we have tremendous oil reserves in both Europe and other countries of the world. I believe they have 90 days' reserve, and today's wars cannot last more than three weeks. So I don't really believe in that. But if it comes, we are not going to put an embargo on oil.<sup>85</sup>

Although Iran did not, and says it will not boycott oil, the Shah violently rejects talk of the West's using force to break a future oil "strangulation."

"You cannot just frighten people and bully them around."<sup>86</sup>

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<sup>84</sup> Ibid.

<sup>85</sup> "News Conference of Secretary Kissinger and the Shah Of Iran, Zurich 18 February 1975," U.S. Department of State Bulletin, 10 March 1975, p. 294.

<sup>86</sup> "Total Oil Embargo Ruled Out By Shah," The New York Times, 2 February 1975, p. 20.

Iran looks forward to the day when not only the Soviets, but also the Americans are out of the Persian Gulf and the Indian Ocean.

Finally, the Shah has doubts about Iran's position in the wake of U.S.-U.S.S.R. détente. He foresees how a big power agreement might overlook the interests of the smaller power, Iran. He has stated with regard to the new understandings between the U.S. and the U.S.S.R.

Well perhaps SALT was a good thing. But one-sided disarmament is not good. It might be said by U.S. and Russia that they could not disarm until the lesser states disarmed.

I would hate to see, as would Europe, the United States disarm unilaterally. Certainly Iran does not intend to do so.<sup>87</sup>

While there are generally very good relations between Iran and the U.S., there still are numerous problems. As the number of U.S. citizens in Iran increases, so might additional irritants.

The Shah has thrown in his lot with the West, particularly with the U.S. A strong mutual dependency exists which should not be adversely affected by the relatively minor fringe problems.

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<sup>87</sup> "Why Should We?," U. S. News, p. 35

#### IV. U.S. INTERESTS IN THE PERSIAN GULF

U. S. interests in the Persian Gulf are of fairly recent origin. They have become more important recently due to the Middle East's becoming an extremely important oil source.

U. S. interests in the Middle East in general and in Iran in particular "were either minimal or sporadic" before the Second World War.<sup>88</sup> It wasn't until 1856 that the U.S. and Iran signed their first treaty of Friendship and Commerce (Appendix A). Most of America's interest in the area consisted of "the activities of missionaries in the cultural and educational sphere."<sup>89</sup>

While some U.S. oilmen had moved into the Middle East in the 1920's, most Americans before the Second World War "thought of the Middle East as the locale of the Holy Land."<sup>90</sup>

In the early 20th Century the Middle East was still an area of big power influence, i.e., Britain, Russia, and Germany. It was not until World War II and immediately after the war that the U.S. involved itself in Iranian affairs.

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<sup>88</sup> Lenczowski, G. ed., United States Interests in the Middle East, American Enterprise Institute for Public Policy Research, 1968, p. 6.

<sup>89</sup> Ibid., p. 11.

<sup>90</sup> Ibid., p. 81.

Following British and Russian occupation of Iran in 1941, American troops entered Iran to provide logistical support to the Soviet Union from the south.

The Russians' reluctance to leave Azerbaijan after the war, their support of local separatists, and their demands for large oil concessions from Iran provided an early insight into the Soviets as rivals rather than allies.

Strong U.S. pressure finally encouraged the Russians to leave.

On 21 March 1946, Harry S. Truman wrote to Stalin, stating that the United States expected the Russians to withdraw their forces. This was to begin within a week and to be complete within six weeks. If this was not done, Truman warned, he would move naval forces into the Persian Gulf and land troops in Iran.<sup>91</sup>

Soviet actions in Iran as well as in Turkey and Greece had far-reaching implications. The British told the U.S. in February 1947 they were no longer prepared to support these countries. President Truman realized that henceforth America would have to provide the leadership on behalf of the West. The result was the famous Truman Doctrine which "established the basic containment policy applicable to the Middle East and to the World as a whole."<sup>92</sup>

Clearly Iran's position was upheld by U.S. influence and power. "In 1947 Iran received its initial financial aid from the United States in the form of a credit of \$25 million

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<sup>91</sup> Andrews, "The Azerbaijan Incident," p. 81.

<sup>92</sup> Lenczowski, United States Interests, p. 15.

for the purchase of arms and munitions in America."<sup>93</sup> In 1947 a U.S. military mission was established in Iran.

It was in the same time period that the U.S. initiated the stationing of a small, three-ship naval presence in the Persian Gulf. The Middle East Force was to be a symbol of U.S. commitment to the area.

Our first post-World War II military presence was introduced into the area in 1948 with the establishment of our Middle East Force (MIDEASTFOR). This small force consisted of a flagship homeported at facilities made available by the British at Bahrain, with two destroyers periodically deployed on a rotational basis from the Atlantic Fleet.<sup>94</sup>

This token force, in being for over a quarter of a century now, has served to show U.S. interest in stability for the area.

Obviously one of the diplomatic levers available to us is the deterrent effect of a military presence. We believe that the modest presence we have traditionally maintained in the Persian Gulf, supplemented as necessary by more frequent deployments of additional naval ships, serves that purpose.<sup>95</sup>

The post-war years saw Iran turn inward to solve domestic and economic problems under the protective security of the U.S. In March 1951 the Iranian Majlis agreed to nationalize the foreign-controlled oil industry. The vote followed the impetus from the newly-elected Prime Minister, Mohammed Mosaddeq.

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<sup>93</sup> Nirumand, B., Iran, The New Imperialism in Action, Monthly Review Press, 1969, p. 40.

<sup>94</sup> Weiss, S., "U.S. Activities and Interests in the Indian Ocean Area," U.S. Department of State Bulletin, 8 April 1974, p. 372.

<sup>95</sup> Ibid., p. 374.

Great Britain, who had a primary interest in the Anglo-Iranian Oil Co., successfully stopped nearly all production, distribution, and sale of Iranian oil. Two years of economic chaos and political struggle between Iran, Britain, Mosaddeq, and the Shah ensued. The U.S. through W. A. Harriman acted as a mediator between the British and the Iranians on the oil problem. The U.S. also withheld economic aid to Iran by request of the British during their boycott of Iranian oil.

As the situation worsened, Iran severed relations with England. The domestic situation in Iran was equally tense.

On 19 April 1953, Mussadeq [sic] was overthrown in a coup organized by the dismissed officers with the active support of the C.I.A. and the U.S. military mission.<sup>96</sup>

Major General Stewart, director of military assistance, told the House Foreign Affairs Committee: 'When this crisis came on and the thing was about to collapse, we violated our normal criteria and among other things we did, we provided the army immediately on an emergency basis, blankets, boots, uniforms, electric generators, and medical supplies that permitted and created an atmosphere in which they could support the Shah...The guns that they had in their hands, the trucks they rode in, the armored cars that they drove through the streets, and the radio communications that permitted their control, were all furnished through the military defense assistance program...had it not been for this program, a government unfriendly to the United States probably would now be in power.'

Following the coup, the Shah regained a firmer control of the Iranian government, and the U.S. resumed economic and military aid. In 1954 an agreement on the oil problem was

<sup>96</sup> SIPRI, World Armaments and Disarmaments, SIPRI Yearbook 1971, SIPRI, MIT Press, 1971, p. 576.

<sup>97</sup> Barnett, R.J., Intervention and Revolution, p. 228

arrived at, including participation by U.S. oil companies; and production was resumed.

By October 1955 Iran chose to join the U.S.-sponsored Baghdad Pact (Middle East Treaty Organization - M.E.T.O.) which included Great Britain and the "northern tier" states, Turkey, Iraq, and Pakistan. (See Appendix B for details of CENTO)

U.S. jet aircraft, tanks and some small naval craft were transferred under military assistance or aid programs. In 1959 much to the distress of the Soviets, Iran and the U.S. signed a bilateral defense agreement. (Appendix C)

Although relations with the U.S. were secure, Iran felt in 1962 that it could take a somewhat independent stance in foreign policy - the "independent national policy" based on the principles of the U.N. and on establishment of better relations with other countries. Iran lessened tension with the Soviet Union by refusing to allow the stationing of U.S. missiles aimed at the Soviet Union on Iranian soil.

Although U.S. arms and aid continued, the Indo-Pakistani war in 1965 brought about a major change in Iran's perception of its security needs and future course of action. Iran was amazed to find that CENTO would not come to the aid of one of its members, Pakistan. Moreover the U.S. prohibited Iran from transferring U.S.-supplied equipment to Iran's ally, again Pakistan.

Significant differences in perspective existed between Washington and Tehran concerning the function and aim of security, i.e., domestic and regional threats, while the U.S. refused to interpret the pact in regional terms and

therefore did not back either side in the 1965 Indo-Pakistani hostilities. Thereafter, when it appeared to Tehran that the United States had done little to undo the effects of the war or discourage a fait accompli, there was an added incentive to build large deterrent forces.<sup>98</sup>

These actions caused Iran to re-evaluate its dependency and its relationship with the U. S. and the treaty organization. The Shah's 1966 arms buy (\$110 million) from the U.S.S.R. reflected this new evolution.

By 1967 Iran was doing well enough economically to be declared a "developed" nation by the U.S. Congress, which then terminated the aid programs to Iran. Military assistance changed from mostly grants to all sales, although Iran did receive favorable credit financing for its purchases. The United States' high regard for Iran was shown in 1968 by the delivery to Iran, prior even to the delivery to Israel, of 32 latest-configuration F-4 Phantom jet fighters.

Iran's high priority was influenced by her recent deal with the Soviets and her talk of buying even more Russian equipment. The U.S. resisted this blackmail-like "pre-emptive selling" by refusing to guarantee the Shah \$600 million in U.S. arms over six years, beginning in 1968. The U.S. preferred to grant Iran its arms in controlled lots instead of long-term commitments.

The Shah returned to the U.S. in 1969 to press his case with an offer to buy \$100 million in arms-a-year in return for guaranteed Iranian oil supplies. He made good arguments, espousing the Nixon Doctrine, but was unsuccessful.

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<sup>98</sup>Chubin and Zabih, op. cit., p. 107.

What we need (the Shah said) is to have enough means to be able to take care of any situation that might arise in our region alone, because my views are that it is unfair and becoming impractical that every nation when in trouble will just send a wire to Washington. 'Please come to our help.' First of all, I don't know if you can do it anymore. Secondly, it could become very embarrassing. Thirdly, that could lead to a confrontation with another big power.<sup>99</sup>

The next major arms commitment from the U.S. came at a brief but highly eventful meeting on 21 May 1972. President Nixon stopped overnight in Tehran on his way home to the U.S. from a visit to Moscow. During this brief stop President Nixon is said to have told the Shah he could buy any conventional arms he wanted from the United States.

Critics have used this date as the turning point of U.S. arms sales policy from being rational to being out of control. They cite the fact that since that date, U.S. arms sales to Iran have jumped seven-fold.

These large increases have prompted a review of the U.S.'s real interests in Iran and the Persian Gulf. The official U.S. State Department reply has been put forth by Under Secretary of State J. J. Sisco as follows:

Our main policy objectives for the gulf and Arabian Peninsula region, which we have set forth before to the committee, have remained constant since we developed a comprehensive policy framework in anticipation of the termination of the special British role there in 1971. They are:

-Support for collective security and stability in the region by encouraging indigenous regional cooperative efforts and orderly economic progress. Being responsive to requests from the regional states for advice regarding the types and quantities of military equipment and services

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<sup>99</sup> "Transcript of 'Meet the Press,'" NBC, 26 October 1969, Vol. 13, No. 41, p. 3.

they need to meet their defense and internal security needs as they perceive them, and responding on a case-by-case basis to their requests to purchase such equipment and services from us, have served this purpose:

-Continued access to the region's oil supplies at reasonable prices and in sufficient quantities to meet our needs and those of our allies;

-Encouraging the states in the area to resolve by peaceful means territorial and other disputes between them and widening the channels of communications between them;

-Expanding our diplomatic, cultural, technical, commercial, and financial presence and activities; and

-Assisting oil exporters to employ their rapidly growing incomes in a constructive way, supportive of the international financial system.<sup>100</sup>

While all these goals are relevant and desirable, another body of opinion suggests that U.S. arms sales are really slanted more towards economics and less toward ideals. Arms sales are convenient offsets to increased oil prices and provide much-needed employment in the U.S. economy,

A natural corollary to U.S. interests in Iran and the Persian Gulf is its interest in the larger Indian Ocean area. The most important U.S. goal in the Indian Ocean is free access to the sea.

In addition, Western Europe and Japan, the two areas of the free world of greatest importance to U.S. security, are absolutely dependent upon oil supplies from the Middle East, and that fact alone makes it of interest to us. The world economy is by now so integrated that freedom of navigation on the high seas and noninterference with sea lines of communication is a matter of vital importance to all members of the world community - even those not directly involved.

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<sup>100</sup> Sisco, J.J., "U.S. Policy for the Persian Gulf," in National Security Management, p. 150, Bauer, T.W., and Moulton, H.B. editors, Industrial College of the Armed Forces, 1976.

<sup>101</sup> Weiss, S., "U.S. Interests and Activities in the Indian Ocean Area," U.S. Department of State Bulletin, 8 April 1974, p. 373.

To show its concern for the concept of complete freedom of the seas, the U.S. has been...

...augmenting from time to time, the minimal permanent presence represented by MIDEASTFOR that we have maintained in the area for over a quarter of a century. In our judgement, a U.S. presence in the Indian Ocean should contribute to a deterrence against the likelihood that force or the threat of force might be employed by others.<sup>102</sup>

Geographically, the Indian Ocean is a vital international body of water which must remain available to U.S. surface traffic, commercial as well as military.<sup>103</sup>

To secure these goals and to counter Soviet presence, the U.S. has occasionally increased the number of Seventh Fleet deployments to the Indian Ocean, and has also developed a communications and naval support base on Diego Garcia.

The latter action has drawn much adverse criticism from some littoral states as a threat to the stability of the area. Iran and India, among others, have supported the concept of the "Indian Ocean Peace Zone." The U.S. position has been that

while we sympathize with the principles which motivate some of the nations in the area to promote concepts such as the "Indian Ocean Peace Zone," all major maritime powers, including the United States and Soviet Union, have been doubtful about this initiative because of its implication that littoral states somehow have a special right to limit or control the use of the high seas by others. The United States has long held the view that there must be unimpaired freedom of navigation on the high seas;...<sup>104</sup>

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<sup>102</sup> Ibid., p. 374.

<sup>103</sup> Ibid., p. 373.

<sup>104</sup> Ibid., p. 375.

## V. OIL, ARMS, AND STABILITY

U.S.-Iranian relations and the interests of both countries in the Persian Gulf and the Indian Ocean come to a focus around three major issues: oil, arms, and stability.

### A. OIL

Oil is a driving force in the arms sales controversy. In its simplest form the interdependency between U.S. arms sales and Iranian oil could be stated as follows: the Persian Gulf holds 75% of the world's oil reserves, and the U.S. cannot find adequate alternate sources of supply in the near future; defense of the region is vital to the U.S.; and U.S. arms provide Iran with the capability to protect this oil and make it accessible to the United States.

A supporting argument says that the U.S. sells expensive arms to offset the imbalance of payments caused by the massive oil purchases from the Persian Gulf states. The U.S. suffers from unemployment and a net loss of capital growth due to the high OPEC oil prices. Arms sales boost U.S. defense industry, cushion unemployment, and promote friendly relations with the OPEC countries, particularly Iran.

Paradoxically Iran is both the root and the cure for the U.S.'s economic woes. Iran is the most price-hawkish nation in OPEC. The high oil prices are what caused slow growth and unemployment in the U.S. in the first place.

It is too early to tell whether the December 1976 split between Iran and Saudi Arabia over the price issue will break the power of OPEC as an effective cartel. The two-tier price increases do provide some hope to critics of U.S. arms sales that a weakening of OPEC will hold prices down and reduce the U.S. need to sell arms for economic reasons.

The split in OPEC also deepens their worst fears that the U.S. arms in Iran and Saudi Arabia might be used against each other.

Shahram Chubin notes that the Saudi-Iranian price rivalry has existed since 1973, but he predicts that their common concern for regional stability will prevail.

Since the oil price increases decided by OPEC (Organization of Petroleum Exporting Countries) in October and December 1973 a divergence in economic interest between Saudi Arabia and Iran has been manifest. Hitherto the political interests of the two largest states of the Gulf littoral have converged... Differing economic interests now threaten this relationship. ...Given the long-standing mistrust between Arab and Iranian, there is always a danger that such economic differences might lead to personality clashes and result in political rivalry, but there remains nonetheless a strong political incentive for the two countries to co-operate (or at least contain the rivalry) in order to preserve the stability of the region.<sup>105</sup>

The oil question ties together two themes: U.S. dependency on Iran as an oil source and an arms market, and Iranian-Saudi Arabian rivalry as oil suppliers. It remains to be seen whether the U.S. will exploit the rivalry within OPEC or will seek alternate means to decrease its own dependency without endangering stability in the Persian Gulf.

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<sup>105</sup>Chubin, S., "Iran Between the Arab West and Asian East," Survival, July-August 1974, p. 174.

The two-tier price settlement also highlights a basic point of contention between Iran and the United States, namely the price of Iran's oil. The U.S. naturally wants the lowest possible price. Iran wants a high price because the country has limited oil reserves (80 million barrels) that will be depleted in the next forty years. Iran is trying to diversify her industrial base away from oil exporting toward "downstream" petrochemical and other industry. To do so Iran needs maximum cash returns from as much oil as she can sell in the short-term.

The evolution of Iran's differences with the U.S. and with Saudi Arabia over oil are examined below in more detail.

#### 1. OPEC Control of Its Own Oil

An unprecedented transfer of wealth to Iran and the oil-producing countries of the Persian Gulf occurred after the October 1973 war. This transfer upset the world economy, caused recession, and shifted the balance of economic power to the Persian Gulf.

In 1960 the Organization of Petroleum Exporting Countries, or OPEC, was formed. In the 1960's and into the early 1970's, oil price increases were negotiated between the concessionary oil companies and the host country.

OPEC countries had not gained the power to unilaterally declare price increases. They negotiated with the oil companies bilaterally; that is, Saudi Arabia with ARAMCO, and Iran with its consortium.

There followed a move toward collective OPEC negotiations with the companies; and finally by 1973, unilateral OPEC declaration of increased prices.

In 1968 the Organization of Arab Petroleum Exporting Countries, OAPEC, was formed, consisting of Saudi Arabia, Kuwait, and Libya. 1968 was one year after the 1967 six-day Arab-Israeli war. The Arab countries were forming together to use oil as a political weapon against Israel, as well as against her Western suppliers.

The control of oil by the exporting countries was spurred on by the Arab-Israeli conflict. Iran was conspicuously absent from the new group, OAPEC, being non-Arab and pro-U.S. Iran would later reap the benefits, however, of the Arab move to control the price and destination of OPEC oil.

In the early 1970's Libya carried on a three-pronged attack on her Western oil companies. Libya employed oil production cutbacks, punitive nationalization of the oil companies, and unilateral price boosts.

The other OPEC countries, with the exception of Iraq, followed Libya's initiatives with more moderate means. They nationalized their oil companies through negotiations which allowed the companies to stay in the country, manage the industry, and earn a reasonable profit.

A landmark in the takeover process was the Tehran Agreement of 14 February 1971. Six Gulf states increased the tax on the oil companies' exports by 55%, and negotiated a 35¢-per-barrel price increase.

Two similar agreements followed shortly thereafter: the Tripoli Agreement, negotiated bilaterally by Libya on 2 April 1971 for a 90¢-per-barrel increase; and the Eastern Mediterranean Agreement the same month, which increased the posted price by 81¢.

More negotiated price increases resulted from the Geneva Agreement of January 1972. In May 1973 Iran fully nationalized her oil assets and concluded a 20-year agreement with the international oil consortium on production levels and prices.

The Second Geneva Agreement of June 1973 was the last negotiated price increase for the OPEC states. Following the October 1973 Arab-Israeli War, OPEC concluded the Tehran Agreement on 22 December. This landmark agreement began the era of unilateral price-increase declarations by OPEC.

The first leap was enormous. The price of a barrel of light Saudi crude rose from \$3.65/bbl. to \$8.30 in January 1974, and to \$10.46 the following November.<sup>106</sup>

## 2. U.S. Dependency on OPEC oil

While OPEC and Iran were taking over their oil assets, the U.S. was becoming more and more dependent on that oil. In 1971-1972 the U.S. no longer had surplus oil to export, and in fact became a net importer of oil.

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<sup>106</sup> "As OPEC Moves to Boost Oil Prices Again," U.S. News and World Report, 29 November 1976, p. 25.

Oil imports by the U.S. rose from 3.4 million b.p.d. in 1970 to an estimated 8.3 million b.p.d. in 1977. The share was estimated to be 46.1%.<sup>107</sup> The oil from the Alaskan pipeline was predicted to be too expensive to totally relieve the U.S. dependence on the Persian Gulf.<sup>108</sup>

Two months after OPEC's drastic price increases of December 1973, the International Energy Agency was formed in Washington, D.C., as a collective oil-consumer agency. It opposed bilateral negotiations with OPEC such as those undertaken individually by France and Great Britain to assure themselves of oil. Collective bargaining thus formed on both the supplier and consumer sides of the oil issue.

In 1974 the so-called "oil crisis" occurred in the United States. The long gasoline lines brought home to the U.S. citizen his dependence on Persian Gulf oil.

1974 was an adjustment period for the U.S. It was a time to balance national policy toward OPEC between talk of reconciliation and threats of outright military intervention.<sup>109</sup>

President Ford sued Iran for lower oil prices in September. The Shah of Iran figuratively waved the finger back and scolded the President for dictating policy to Iran.

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<sup>107</sup> "Even With Split in Cartel, Higher Fuel Prices Coming," U.S. News and World Report, 27 December 76/3 January 77, p. 27.

<sup>108</sup> Ibid.

<sup>109</sup> Ignotus, Miles (pseudonym), "Seizing Arab Oil," Harpers, March 1975, pp. 45-62.

The Shah added, however, that it was beneficial for Iran to stay on good terms with the U.S. because of the U.S.'s nuclear arsenal.<sup>110</sup> He presumably viewed the U.S.'s strategic forces as the ultimate insurance against Iran's survival.

By the same token that Iran was eager to stay on good terms with the U.S., so was the United States intent on maintaining good relations with Iran and OPEC. The Persian Gulf appeared at that time to be the only area with enough oil reserves to supply the West on a long-term basis.

### 3. Iranian Arms Orders, Foreign Aid, and Development

Having stabilized relations with the U.S., Iran launched programs of military purchases, foreign aid, and internal development. Iran's goal was to rapidly establish herself as a great power. Beginning in 1974 Iran invested her vastly-increased oil revenues in the symbols of great power status: an impressive military, dynamic foreign relations, and an industrial base.

The Shah began in March, 1974 by ordering thirty U.S. F-14's, the most advanced fighter in the world at that time. In June he ordered fifty more, and in September concluded an additional \$4-billion deal with the U.S. for military equipment.

Iran began its diplomatic campaign in April, 1974 when a large number of foreign dignitaries visited Iran and signed aid and trade agreements.

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<sup>110</sup>"Shah Rejects Bid By Ford For Cut in Prices of Oil," The New York Times, 27 September 1974, p. 1.

Iran arranged to supply Afghanistan with 40% of her oil needs, and agreed to supply oil to Pakistan on friendly terms. Indira Ghandi also made a personal visit in spite of the Shah's support for her enemy, Pakistan. The two leaders held friendly discussions on trade between India and Iran.

Turkey, Morocco, Syria, and Egypt were other visitors to Iran during this period. Iran gave Egypt \$850 million in aid and investments in petrochemicals, paper-processing, and a Suez-Mediterranean pipeline. The latter would allow super-tankers to avoid the costly trip around the Cape of Good Hope, and would also provide Iran a free-zone port on the Mediterranean. Iran also provided Egypt with military aid and training.

Iran undertook other African ventures. A project in Senegal included a refinery, a petrochemical plant, a phosphate plant, and port facilities. Developments in Chad Kenya, and Zaire were also considered.

In March 1975 Iran agreed to build a \$200 million fertilizer plant in Indonesia. Other contracts that year included a five-year deal for cement, steel, and fertilizer from North Korea, and skilled labor from South Korea and the Philippines. Iran promised to finance mining, industry, and agriculture in Australia. In November 1975 Iran contracted with Japan to build a \$1 billion petrochemical plant on the Persian Gulf.

Iran was opening new contacts through these financial deals with countries outside the U.S. and Western Europe. Iran was decreasing her dependency on the West and opening

new options in foreign policy. She continued, however, to draw upon Europe and the U.S. for the transfer of technology and skills to Iran.

In 1974 Iran concluded multi-billion-dollar package deals with Italy, France, Great Britain, and the United States for industrial goods and services. Iran purchased 25% interest in Germany's Krupp Steel to obtain its steel technology. Iran bargained with France for a uranium-enrichment plant, and bargained with U.S. for eight nuclear power plants. Iran also negotiated with the Soviet Union for \$3-billion-worth of joint ventures and \$2.5 billion in trade over the next five years.

#### 4. Deficit Spending, Cutbacks, and Barter

By 1975, however, the boom-demand for Iran's oil subsided due to world-wide economic slowdown. Iran found itself in a pinch between lower demands from the oil consortium, underselling by Saudi Arabia, and inflated prices of foreign imports.

In July 1975 the Shah announced a \$3 billion deficit<sup>111</sup> and began borrowing money abroad. In February 1976 Iran secured a \$50 million loan from an international bank syndicate and lowered the price of crude oil by 9.5¢/bbl. to boost sales.<sup>112</sup> Iran expected a \$2.4 billion deficit for the year

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<sup>111</sup>"Iranian Deficit Totals \$4 Billion; Loans Asked," The Wall Street Journal, 28 July 1975, p. 7.

<sup>112</sup>"A \$50 Million Loan Is Granted To Iran," The New York Times, 18 February 1976, p. 59.

beginning in March. Real economic growth was expected to drop to 17% from the 1974-'75 high of 42%.<sup>113</sup>

Reductions in Iran's defense spending appeared in February, 1976. General Toufanian, Iranian Vice-minister of War in charge of arms purchases, cabled U.S. Defense Secretary Rumsfeld that the U.S. should lower its weapons prices and induce its oil companies to increase oil production in Iran. Otherwise, he said, Iran would shop elsewhere for arms.<sup>114</sup>

Iran cancelled its plans that same month to add 40 F-14's to the existing order of 80. The planes' \$122 million unit price was considered too high. Iran turned its attention to the F-16 because of its lower unit price.

By January 1977, however, inflation had also driven higher the cost of the F-16. The original \$2.1 billion cost for 300 F-16's had risen to \$3.8 billion for only 160 of the same airplane. General Toufanian charged that the cost was inflated by the U.S. contractors' desires for excessive profits. He also complained that Iran was being charged \$27.3 million-per-aircraft, while NATO would pay only \$6.4 million apiece. The U.S. replied that Iran's figure included parts and support.<sup>115</sup>

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<sup>113</sup>Pace, Eric. "Cut in Iran Oil Revenues Forces a Budget Deficit," The New York Times, 4 February 1976, p. 1.

<sup>114</sup>Finney, J.W., "Iran May Reduce U.S. Army Buying," The New York Times, 4 February 1976, p. 7.

<sup>115</sup>"Israel, Iran Could Add 410 F-16 Orders Soon," Armed Forces Journal, January 1977, p. 15.

Iran also cancelled orders for two of six Spruance destroyers in 1976. The 1974 unit price of \$234 million had increased to \$338 million by February, 1976.<sup>116</sup>

The more Iran felt the economic pinch in 1976, the more she tried to guarantee herself markets for her oil. Iran attempted to buy heavily into two U.S. oil companies, Ashland and Occidental, and create an assured U.S. market; but both deals fell through.

The financial squeeze also forced Iran toward bartering her oil for arms and other needs. In August 1976, Secretary of State Kissinger negotiated in Tehran for a \$13 billion arms-for-oil barter deal,<sup>117</sup> including possible acquisition of F-16, F-18, and AWACS aircraft.<sup>118</sup>

The effect of the oil market contraction in 1975-'76 was to turn Iran "inward to domestic economic development and away from the ambitious foreign aid, overseas investments, and influence-building as a regional military power."<sup>119</sup>

##### 5. Saudi Arabia, Iran, and Two-Tier Pricing

Beginning in October 1974, the Saudi Arabian oil minister, Sheik Yamani, linked his moderate oil price increases

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<sup>116</sup>Finney, "Iran May Reduce," p. 7.

<sup>117</sup>"Iran," Middle East Economic Digest, 13 August 1976, pp. 15, 16.

<sup>118</sup>"Iran Reacts to Money Pinch," San Francisco Chronicle, 12 January 1977, p. 1.

<sup>119</sup>"Tough Talk on Oil, Arms, Investments," Business Week, 24 January 1977, p. 36.

with Saudi Arabia's hope for an Arab-Israeli peace settlement.<sup>120</sup> At the October 1976 Arab summit conference Sheik Yamani expressed hope that the new Carter Administration, if elected, would show appreciation for lower price increases by settling the Israeli question favorably for the Arabs.<sup>121</sup>

In December 1976 a two-tier price system was adopted by OPEC in which Saudi Arabia held out for a moderate 5% increase and Iran adopted an immediate 10% increase with an added 5% expected in July 1977.

Iran was disturbed by the Saudis' strategy. The world would flock to Saudi Arabia for its cheaper oil, and Iran's oil income would continue to fall. Iran desperately needed the cash, while Saudi Arabia already had more than it could spend.

Basically, Saudi Arabia, with the world's largest oil reserves and a population of between five and six million, has little incentive to seek a rapid increase in revenues for development and has thus taken the view that the price of oil should not rise too steeply or too quickly. Her interest is best served by maintaining the price of oil at a level where it is marginally competitive with alternative sources of energy, and she is thus pursuing a strategy of maximizing her revenues over the long run. Iran, with a much larger population, much smaller reserves, and a thirst for revenues with which to finance her development projects, has adopted a strategy of maximizing her revenues in the short run by raising oil prices, whether or not this may have an adverse effect on the demand for oil in the long run.<sup>122</sup>

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<sup>120</sup> "Saudi Ties Oil Price Cut to Political Stability," The New York Times, 3 October 1974, p. 3.

<sup>121</sup> "U.S.-Saudi Trade Doubled," Monterey Peninsula Herald, 1 January 1977, p. 2.

<sup>122</sup> Chubin, S., "Iran, Between the Arab West and Asian East," Survival, July-August 1974, p. 174.

The Shah's regime is in many ways ultraconservative, rigorously restraining radical dissent, but it also pursues ambitious social goals such as rapid improvement in housing for Iran's 34 million people and diversified industrial development.

But pursuing these various aims is costly, and it is putting Iran in the unenviable position of having to borrow abroad to make up a financial deficit, while other Middle Eastern oil nations, blessed with far smaller populations, are piling up huge financial reserves.<sup>123</sup>

The biggest losers from the price increases were the lesser-developed countries, whose energy costs continued to rise in spite of support from the OPEC aid fund.<sup>124</sup> Iran was also less able to support such countries in 1977 than she had been in 1974. In an interview with Business Week the Shah predicted heightened instability and lessened hopes for peace in the Persian Gulf and the Indian Ocean as a result.

What will be the impact of Saudi Arabia's holding its price rise to just 5%?

The question now is whether Yamani will flood the market with oil. If he does this, for a little while it may force us to decrease our production. And if this happens it will affect our economic plans, our military buildup, and especially our foreign aid programs. Remember that if we aid foreign countries, our neighbors, it is to have more stability in the region. We aim at having a zone of peace in the Indian Ocean. If we have to cut our oil production and our income suffers, then we will have to drop this policy. Is that in the world's best interest?<sup>125</sup>

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<sup>123</sup> "Iran Has Wealth, Ambition, And A Probable Deficit," The New York Times, 8 February 1976, IV., p. 4.

<sup>124</sup> Prest, Michael. "Saudi Arabia Binds Oil Prices to Political Strategem," Middle East Economic Digest, 7 January 1977, p. 3.

<sup>125</sup> "Tough Talk," Business Week, p. 36.

In conclusion the oil issue is an important area where Iranian and U.S. interests are at odds. Iran's short-term interests in establishing a military-industrial base dictate her policy of high oil prices. High prices run counter to U.S. concern for a long-term supply of oil at a reasonable cost. As will be seen in the following section, the United States is constrained in its ability to use arms sales as an effective lever to influence Iran's oil policy.

#### B. ARMS

In 1952 the U.S. tried and failed to solve the oil dispute with Mosaddeq by boycotting arms to Iran. An arms embargo would probably be as ineffective today as it was then to dictate oil policy to Iran.

The trend in U.S. arms transfers to Iran has in fact led away from arms as an instrument of U.S. foreign policy - the hegemonic pattern - toward arms as an extension of domestic and international economics - the industrial pattern. In the latter pattern the foreign policy aspect of arms transfers is not lost, but is overshadowed by the economic aspects.

##### 1. Hegemonic Supply Pattern

The period 1950 to 1972 may be broadly described as hegemonic. Within this time period there emerged two sub-patterns: monopolistic supply, 1950-1966; and pre-emptive supply, 1966-1972.

###### a. Monopolistic Supply

In 1950 the United States, Great Britain, and France signed a Tripartite Agreement, creating the Near

Eastern Arms Coordinating Committee, and organizing rough parity as arms suppliers. The West had a monopoly on arms supply to the Middle East, and the U.S. virtually monopolized supply to Iran.<sup>126</sup>

The main rationale for U.S. arms supply to Iran, as well as to the other "forward Defense" areas, Turkey and Greece, was to contain the expansion of the Soviet Union. More specifically Iran's armed forces were conceived of as substitutes for U.S. troops that would otherwise have to be stationed in Iran to do the same job.<sup>127</sup>

The military aid to the forward defense areas presupposed mutual anti-Soviet interests with the client state, Iran. To receive the aid, Iran had to pledge allegiance to these interests. She did so by agreeing to the Mutual Security Act of 1951, and by joining CENTO in 1955.<sup>128</sup>

It is reasonable to assume that Iran was genuinely concerned about deterring any renewed Soviet aggression. The Azerbaijan incident was still fresh in the Shah's mind. Iran may have been even more concerned with her other neighbors than with the Soviets, particularly after 1958 and the coup in Iraq. Nonetheless Iran agreed to the American

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<sup>126</sup> Duchene, Francois. "The Arms Trade and the Middle East," The Political Quarterly, Vol. 44, No. 4, October-December 1973, p. 453.

<sup>127</sup> Stockholm International Peace Research Institute, SIPRI, The Arms Trade With the Third World, p. 20, Almqvist & Wiksell, 1975.

<sup>128</sup> SIPRI, The Arms Trade, p. 160.

terms, for her primary interest was to obtain military equipment.

In the early 1960's the U.S. again used arms supplies as an instrument of foreign policy. The U.S. influenced Iran's social development by limiting arms aid and increasing economic aid.

Under President Kennedy's "flexible response" doctrine, the U.S. promised to supply troops if need be to protect countries against external communist aggression. The arms supplies to Iran were limited to so-called "counter-insurgency" weapons. Economic aid was supplied to combat local poverty, which Defense Secretary McNamara propounded as the seedbed of revolution.<sup>129</sup>

In 1961 the Shah was slow to institute much-needed land reforms in Iran. The U.S. disapproved of the slow progress by ending the \$30 million annual aid to the Iranian Army in July, 1962. The Shah announced his "White Revolution" in January 1963, reopened the Majles by October, and received America's blessing of \$200 million in arms credit in June, 1964.<sup>130</sup>

#### b. Pre-emptive Supply

Iran broke out of the U.S.'s monopolistic supply pattern in 1966 by ordering \$110 million of non-sensitive

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<sup>129</sup> Ibid., p. 155.

<sup>130</sup> Pfau, R., "The Legal Status of American Forces in Iran," The Middle East Journal, Spring 1974, Vol 28, No. 2, p. 141.

military equipment - mainly armored personnel carriers and trucks - from the Soviet Union.

The Soviet-Iranian arms deal of 1966 reflected the Shah's interest in acquiring the support of progressive urban groups in connection with his land reform programme, and in strengthening his bargaining position with the U.S. in various disputes concerning oil and the U.S. reluctance to increase arms supplies.<sup>131</sup>

The U.S. Congress viewed Iran as an unreliable ally as a result of the sale. Congress declared Iran a "developed country" in November 1967, terminated economic aid, and initiated the end of grant military aid.

The Departments of State and Defense, however, were eager to block the Soviets from gaining further influence in Iran through their arms sales. The fighting in Yemen, the Arab oil claims against Iran, and the imminent withdrawal of the British from the Persian Gulf pointed to the need for Iran to become the new policeman for the area.

The Administration intended to pre-empt further Soviet sales by supplying Iran with its arms needs. In order to bypass Congressional control over renewed arms grants, the Administration switched its policy from grants to arms sales. The so-called "X-country" loans from the Export-Import Bank to the Department of Defense for Iranian arms credits cut Congress out of the control process in 1966-'67.

Congress countered with the Foreign Assistance Act of 1967, and the 1968 Amendments which ended the revolving

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<sup>131</sup>SIPRI, The Arms Trade, p. 63.

credit fund in the Export-Import Bank and placed dollar ceilings on foreign arms assistance.

The British announced in 1968 that they would withdraw their forces from the Persian Gulf by 1971. During the ensuing three years, 1968-'71, the U.S. and Great Britain sold Iran enough equipment to build a credible defensive force so that Iran could assume Britain's active role in the Persian Gulf.<sup>132</sup> The main components of this force are listed in Appendix E.

## 2. Industrial Supply Pattern

Iran had a reasonably-balanced military force structure by the end of 1973, but events in October through December 1973 suddenly changed the picture of U.S. arms sales to Iran from "reasonable" to "out of control." The October 1973 War demonstrated the swiftness with which the Arab and Israeli weapons stockpiles were depleted as well as the massive dependence of the two sides on resupply from the U.S. and the Soviet Union. Iran's enormous arms orders beginning in early 1974 may well appear "out of control" to U.S. eyes. They may also reflect, however, the Shah's desire to have ample weapons and replacements on-hand to diminish his dependence on U.S. support.

The quantum leap in Iran's oil revenues in 1974 made Iran's purchases possible. The U.S. could no longer exert influence over Iran by limiting its credit or restricting

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<sup>132</sup>Szulc, Tad. "U.S. Britain Quietly Back Military Build-up in Iran," The New York Times, 25 July 1971, p. 1.

the size of its purchases. The United States in effect had to sell arms to Iran or else lose the market and all of its potential influence in Iran to West European exporters, or to the Soviet Union

Faced with this dilemma the Nixon Administration decided to maximize the economic benefits of foreign arms sales. December 1973 was the turning point in the transition from a hegemonic to an industrial supply pattern of U.S. arms to Iran.

The predominant factor in the booming [arms] business seems to be a directive by President Nixon on December 20, 1973, creating an inter-departmental committee to spur exports, including arms sales, for balance-of-payment reasons.<sup>133</sup>

a. Dependence of Iran on the U.S.

Under the industrial supply pattern Iran became less dependent on the U.S. and other suppliers for sheer numbers of tanks, missiles, airplanes, and ships. Iran did incur, however, a new kind of dependence as a result of the "back-end" effects of her arms contracts.

After the sales contract has been signed, the entire spectrum of military operations - procurement, finance, logistics, maintenance, and training - may continue for ten or more years.<sup>134</sup>

Iran lacked the trained manpower to accept and absorb her new weapons immediately. It appeared that Iran's

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<sup>133</sup> "Merchants of Death," The New York Times, 27 January 1975, p. 24,

<sup>134</sup> Gwertzman, Bernard. "Shah Cautions U.S. Against Arms Cut," The New York Times, 7 August 1976, p. 1.

military forces would not become operationally independent of the U.S. for at least a decade.

It is likely that a support force of Grumman employees will remain in Iran as long as the F-14 remains in service there, possibly into the 1990's.<sup>135</sup>

Project Peace Log - a modern logistics system for Iran - would employ 460 Americans to train 14,000 Iranians by 1981. Due to shortages of eligible trainees, however, the U.S. personnel were "likely to be involved for a long period of time."<sup>136</sup>

Thirty-seven Improved Hawk surface-to-air missile batteries - the "largest and most complex of all systems" in Iran - were supposed to be manned and supported by 12,000 Iranians by 1981. It was estimated, however, that they would fall short of 2500 people by 1978/'79 for lack of training, construction, proper logistics, and qualified students. The system would not be fully-operational and independent of U.S. support until the mid-1980's.<sup>137</sup>

Iranian Army Aviation had a training and maintenance program for its Bell helicopters, which was designed to be completed by 1978. Due to problems of social adaptation among U.S. instructor-pilots and lack of Iranian automatic

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<sup>135</sup> Wetmore, W.C., "Iranians Trained in U.S. For F-14 Support," Aviation Week and Space Technology, 1 December 1975, p. 56.

<sup>136</sup> U.S. Senate, U.S. Military Sales to Iran, p. 32.

<sup>137</sup> Ibid., p. 31.

data processing skills, the U.S. would remain involved in the program "well into the 1980's."<sup>138</sup>

The Spruance-class destroyer was designed for initial delivery in 1980/'81. Training of Iranian crews slipped behind schedule in the U.S., and Iran suspended construction of the Spruances' support facilities at Chah Bahar due to money constraints. The port would take five to seven years to complete once renewed. The Spruances would not become fully operational until the mid-to-late 1980's.<sup>139</sup>

Due to recruitment and training difficulties, the operation of Iran's three Tang-class U.S. submarines and her six RH-53D ASW helicopters faced delays into the 1980's "in all aspects except equipment delivery."<sup>140</sup>

The major conclusion of a July 1976 Senate staff study on U.S. military sales to Iran was that

...it is unlikely that Iran could go to war in the next five to ten years with its current and prospective inventory, i.e....sophisticated weapons,...without U.S. support on a day-to-day basis.<sup>141</sup>

#### b. Domestic Arms Industry

Iran will eventually reduce her dependence on the U.S. for weapons and logistic support by establishing her own domestic arms industry. The following are examples of the steps Iran has taken to do so.

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<sup>138</sup> Ibid., p. 17.

<sup>139</sup> Ibid., pp. 22, 23.

<sup>140</sup> Ibid., p. 23.

<sup>141</sup> Ibid., p. x.

The 1976 deal with Great Britain for Rapier surface-to-air missiles provided for Iranian assembly of the missiles initially, and for eventual Iranian production of the Rapier.<sup>142</sup>

Hughes Aircraft Co. and Westinghouse were building an electronics industrial center near Shiraz for eventual operation by the Iranian Electronics Industry. The Center would include repair, test, and eventually manufacturing capabilities for the TOW anti-tank missile.<sup>143</sup>

The August 1973 sale of 2500 Maverick TV-guided air-to-ground missiles to the Iranian Air Force included provisions for "future participation by Iranian industry in future Hughes missile development projects."<sup>144</sup>

Iranian Vice-minister of War, General Toufanian, announced Iran's desire to have a tank-manufacturing capability, beginning with parts manufacture, progressing to overhaul and maintenance, and finally to production capabilities. The most likely choice as co-producer was Great Britain who already supplied Iran with Chieftan tanks.<sup>145</sup>

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<sup>142</sup>"Iran to Trade Oil for Military Equipment," Aviation Week and Space Technology, 16 August 1976, p. 16.

<sup>143</sup>Pace, Eric. "U.S. Concerns Help Iran Build Test Lab," The New York Times, 22 September 1975, p. 53.

<sup>144</sup>Aviation Week and Space Technology, 13 August 1973, p. 9.

<sup>145</sup>"Iran Reported Planning Her Own Tank-Manufacturing Capacity," The New York Times, 15 June 1975, p. 14.

Aviation Week reported that the "Iranian navy expects to have an independent logistics and maintenance capability in the early 1980's for the 6 Sikorsky RH-53D minesweeping helicopters it has purchased."<sup>146</sup>

In summary Iran will have some capability in the near future to manufacture fighter aircraft, helicopters, advanced computer terminal products, electro-optical products, and surface-to-air missiles. It should also have a ship-building capability for small warships within the next five years.<sup>147</sup>

c. Benefits to U.S. of the Industrial Pattern

Foreign military sales are credited with lowering U.S. production costs, and at times with determining if a production line continues or closes.

In December 1974, for example, Iran offered to fully back the resumed output of the C-5A.<sup>148</sup> Iran's purchase of ten Boeing AWACS planes was hoped for in December 1975 in order to keep that production line open.<sup>149</sup> In 1976 Iran authorized the United States to incur \$8 million-worth of expenses to "help work along" on the land-based version of

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<sup>146</sup> Aviation Week and Space Technology, 16 August 1976, p. 11.

<sup>147</sup> Defense Marketing Services (DMS), Foreign Military Markets; Middle East/Africa, Iran Summary, p. 146, DMS, 1976.

<sup>148</sup> Witkin, R., "Iran Offers to Fully Back Resumed Output of C-5A's," The New York Times, 2 December 1974, p. 1.

<sup>149</sup> Finney, J.W., "U.S. Offers Iran 10 Of Its Costliest Radar Planes," The New York Times, 16 December 1975, p. 10.

the F-18 fighter.<sup>150</sup> Iran's 1974 loan to Grumman of \$75 million to bolster the F-14's production has been widely publicized.<sup>151</sup>

U.S. employment also benefited from military sales to Iran. It was estimated that every \$1 billion in foreign arms sales paid for 30,000 directly-related jobs and 60,000 support jobs in the U.S.<sup>152</sup> By January 1977 export sales were said to compose 45% of total U.S. aerospace shipments, representing 170,000 full-time jobs.<sup>153</sup>

d. Costs to the U.S. of the Industrial Pattern

In spite of the substantial benefits of arms sales to Iran, these sales have also incurred costs to the U.S. The costs include depletion of critical skills from the U.S. Armed Forces, transfer of sensitive technology and intelligence to Iran, third country transfer of U.S. weapons, and potential entanglement in future conflicts through "hostage" U.S. employees in Iran.

A General Accounting Office study in 1975 stated that "U.S. arms sales to Iran were beginning to impose a

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<sup>150</sup> "Israel, Iran Could Add 410 F-16 Orders Soon," Armed Forces Journal, January 1977, p. 13.

<sup>151</sup> Witkin, R., "Iran and U.S. Banks Lend Grumman \$200-Million," The New York Times, 4 October 1974, p. 1.

<sup>152</sup> "America's On Top Among World's Arms Peddlers," U.S. News and World Report, 13 January 1975, p. 24.

<sup>153</sup> "State Dept. Plans Tighter Export Control," Aviation Week and Space Technology, 17 January 1977, p. 26.

drain on critical skills needed by the U.S.'s own armed forces."<sup>154</sup> The same study reported that of 53 Air Force specialist ratings supplied to Iran, 24 were in short supply in U.S. forces. The same was true for 34 of 69 U.S. Army specialist skills.

A 1976 Senate staff study cited depletions in U.S. arms inventories to fill foreign sales orders. The Joint Chiefs of Staff believed these depletions adversely affected U.S. force readiness. The fact that Foreign Military Sales clients such as Iran were made part of the U.S. logistics system was also believed to strain U.S. resupply of its own forces.<sup>155</sup>

Defense Secretary Schlesinger even felt it necessary to establish a \$300 million "inventory replenishment fund" in 1975. The purpose of the fund was to stockpile planes, tanks, missiles, and parts in excess to anticipate sudden foreign demand for them.<sup>156</sup>

Sales to Iran also held the potential for draining U.S. technology and intelligence. Iran signed a contract with Rockwell International in 1975 to build the "IBEX" system, a complex electronics and communications-gathering intelligence system. Iran intended to hire ex-U.S. National Security

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<sup>154</sup> Pace, Eric. "U.S. Influence on Iran: Gigantic and Diverse," The New York Times, 30 August 1976, p. 9.

<sup>155</sup> U.S. Senate, U.S. Military Sales to Iran, p. 44.

<sup>156</sup> "Congress Takes Aim At Mid East Arms Sales," Business Week, 3 March 1975, p. 20.

Agency and Air Force Security Service personnel to man the system. The deal was criticized not only as a transfer of advanced U.S. technology, but as a potential compromise of U.S. intelligence expertise.<sup>157</sup>

Iran could become an arms supplier in its own right, a development that would take arms control in the Middle East one step farther from U.S. hands. Although Iran has abided by U.S. restrictions against transferring arms to third countries, Iran has begun such transfers on a limited basis subject to U.S. approval. In January and March 1975 Iran obtained approval to transfer 36 F-5A's to Jordan and 50 F-5A's to Pakistan.<sup>158</sup> In May 1976 Iran sought permission to transfer 26 F-5A's, 36 recoilless rifles, and 15 155mm howitzers to Morocco via Jordan.<sup>159</sup>

Finally the increasing number of U.S. personnel working in defense-related jobs inside Iran implies a proportionate risk of U.S. entanglement in a future armed conflict between Iran and a third country. In 1976 an estimated 1,435 D.O.D. personnel, 1,941 dependents, 2,941 civilian contractor personnel, and 27,000 U.S. citizens were in Iran.

The estimate for 1980 was 50,000-60,000 U.S. personnel in Iran.<sup>160</sup>

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<sup>157</sup> Hersh, S.M., "Iran Signs Rockwell Deal for Persian Gulf Spy Base," The New York Times, 1 June 1975, p. 1.

<sup>158</sup> U.S. Congress, House Committee on International Relations, The Persian Gulf, 1975: The Continuing Debate on Arms Sales, U.S. Government Printing Office, 1976, p. 247.

<sup>159</sup> Facts on File, 26 June 1976, p. 458.

<sup>160</sup> U.S. Senate, U.S. Military Sales to Iran, p. 33.

Given the heavy dependence of Iran's military forces on U.S. technicians, evacuation of all U.S. citizens from Iran in time of crisis would be tantamount to abandoning Iran as an ally.

e. U.S. Arms Sales Legislation

The real costs and potential risks of arms sales to Iran were prominent enough in 1976 to prompt Congress to enact controlling legislation. President Ford vetoed the first bill in May which would have brought commercial sales over \$25 million under Congressional scrutiny. The main reason for the veto was a \$9 billion annual ceiling on total U.S. foreign arms sales.

The President did sign a second bill in June which excluded the \$9 billion ceiling, but did include a \$5.6 billion foreign aid ceiling for Fiscal Year 1976 and a 27-month \$6.9 billion International Security Assistance Authorization Bill. The bill placed "unprecedented reporting requirements" on the President, concerning the impact of the arms sales on each country. <sup>161</sup>

The State Department was also said to be planning international traffic-in-arms regulations to require prior government approval of export sales of "significant combat equipment," and to block "salesmanship" of arms in foreign countries. Hopefully this would diminish the risk of offense

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<sup>161</sup>Appleyard, J.C., and Goodwin, J.B., "International Security Assistance and Arms Export Control Act of 1976," Defense Marketing Service Special Report, DMS, 1976, p. 4.

to friendly governments from an ultimate negative decision on an arms sales request.<sup>162</sup>

f. Diversification of Supplier

Although Congressional restrictions on arms sales to Iran have been relatively mild, they could conceivably become so restrictive in the future that Iran would turn to other suppliers for its major defense needs. The \$600 million Rapier missiles-for-oil deal with the British in August, 1976 was "timed in part to underscore the fact that Iran can buy weapons from West European countries if it is ever snubbed by the United States, now the main arms supplier."<sup>163</sup>

The Shah's reaction to the U.S. Senate staff study which criticized U.S. sales to Iran was as follows:

'We are the only judge of what we need or not,' he added. 'If you supply us with what we need, O.K., we are happy.' However, he went on, if American supplies were restricted, 'there are many more sources available in the world just waiting for the moment for us to go and shop there in their shops.'<sup>164</sup>

The Shah's willingness to shop elsewhere also impinges on the subject of nuclear proliferation in Iran. The U.S. has been willing to sell Iran nuclear power plants, but not nuclear reprocessing plants which convert nuclear wastes into reusable fuel. The ability to manufacture the

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<sup>162</sup> "State Dept. Plans Tighter Export Control," Aviation Week and Space Technology, 17 January 1977, p. 26.

<sup>163</sup> Pace, E., "Iran and Britain Plan Arms Deal," The New York Times, 11 August 1976, p. 1.

<sup>164</sup> Gwertzman, B., "Shah Cautions U.S. Against Arms Cut," The New York Times, 7 August 1976, p. 1.

fuel would also give Iran the ability to manufacture nuclear weapons. Although the Shah has protested his peaceful intentions to use his nuclear plants for commercial versus military purposes, he is reported to be seeking raw uranium from South Africa and a reprocessing plant from West Germany. Pakistan was said to have approached France for a similar plant, and Saudi Arabia "was scrambling to begin a nuclear program of its own."<sup>165</sup>

g. Summary

U.S. arms sales to Iran were given free reign from 1972 until 1975. At that time Iran reduced its orders somewhat as the effects of inflation in the West and lower oil revenues began to be felt. Members of the U.S. Congress studied the adverse effects of the sales on U.S. forces and the possibilities for undesirable entanglement in Iran. Tighter Congressional controls on foreign and commercial sales were imposed in 1976. The Shah repeated his intent to diversify his arms suppliers if need be, even in the realm of nuclear energy.

C. STABILITY

Probably the most sensitive issue raised by arms transfers to Iran is that of stability. The determination of the destabilizing effects of a particular arms transfer to any country or area is a difficult question.

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<sup>165</sup> "Now An A-Bomb for the Shah," San Francisco Chronicle, 12 January 1977, p. 34.

There is the problem of defining stability, then of measuring it, and finally of ascertaining cause and effect or action-reaction relationships.

In applying this process to Iran, three broad topic areas lend themselves to investigation: 1) Iran's internal stability, 2) Iran's regional relations with regional states, and 3) Iran's expanding diplomatic and economic efforts.

#### 1. Iran's Internal Stability

The present Iranian government takes much pride in its long 2500-year existence as a sovereign state, and even at times as an empire. Iran's sovereignty has, however, been challenged periodically from within as well as from without.

...the Government of Iran has faced during the past 30 years strong opposition from an extreme leftist movement, tied in various ways to the outside, and opposition from the indigenous, extremely traditional forces who resent change and modernity.<sup>166</sup>

Iranian internal security measures reflect the Shah's desire to change Iran from a backward traditional society into a modern industrial one. The Shah's plans are vast.

...in 13 years we will be where West Europe is today. Within 25 years, all told, we will catch up with Europe as it then is. Economically. We may be more advanced socially.<sup>167</sup>

The plans include vast social welfare programs to increase the low literacy rate, provide better health and

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<sup>166</sup> Atherton, A.L., "Department Testifies on Human Rights in Iran," U.S. Department of State Bulletin, 4 October 1976, p. 433.

<sup>167</sup> Sulzberger, C.L., "The Shah (II): Authority," The New York Times, 22 March 1975, p. 31.

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education programs, and to generally improve the standard of living. The government already subsidizes basic food staples for lower-paid workers.

More active participation in government, land reform and mass-ownership of businesses is being stressed. The Shah has little use for critics of his plans for Iran's future.

The Shah himself is even blunter: 'We want to catch up and do it quickly. In these very specific conditions, the blah-blahs of armchair critics are obviously ignored. If this is intolerance, I accept it.'<sup>168</sup>

This development can be paid for by current revenues from oil sales. The development is time-critical because in 25 to 30 years the oil reserves will be depleted. To keep his plans on schedule the Shah has imposed radical measures which have aroused opposition from conservative and radical elements alike.

In Iran the large landholders and the leaders of large tribal groups have seen the bases of their strength severely eroded by land reform and the other reforms which I previously mentioned. The religiously conservative elements in the society, powerful in varying degrees in all Moslem countries, have at times vigorously opposed the whole process of modernization which they consider to be sectarian and anti-Islamic.<sup>169</sup>

The Shah is not changing things rapidly enough for leftist-oriented groups, some of whom have opposed him with outright violence. Assassination attempts on the Shah have failed or been thwarted, but Iranian government officials

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<sup>168</sup> "The Shah: Thoughts of a Royal Decision Maker," Time, 4 November 1974, p. 34.

<sup>169</sup> Atherton, A.L., "Department Testifies on Human Rights In Iran," U.S. Department of State Bulletin, 4 October 1976, p. 433.

and U.S. military and technical advisors have fallen victim to the terrorists. In August 1976 three U.S. employees of Rockwell International - builder of the "IBEX" system - were killed in Tehran by "Islamic-Marxist" gunmen.<sup>170</sup>

Physical security is provided in Iran by a significant national police force, the 700,000-man Gendarmerie, and by a security apparatus, the SAVAK.

Prime Minister Hoveida has stated the reason for these security requirements: "The survival of the state cannot come about with a permissive society."<sup>171</sup>

The Shah has stated: "Our society, to achieve its goals, must remain based on discipline."<sup>172</sup>

The Shah places the blame for instability in Iran squarely on communists, and by inference, on the Soviet Union.

My only opponents are the Communists. Against them the law prevails.<sup>173</sup>

What is happening in my country is that Communism is prohibited because they are people who have sworn allegiance to our flag and allegiance to some other country.<sup>174</sup>

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<sup>170</sup>Woodward, B., "Murder, Intrigue Mark Secret Projects in Iran," Monterey Peninsula Herald, 2 January 1977, p. 2.

<sup>171</sup>"The Shah: Thoughts," p. 34.

<sup>172</sup>Sulzberger, C.L., "The Shah (II): Authority," The New York Times, 22 March 1975, p. 31.

<sup>173</sup>"The Shah: Thoughts," p. 34.

<sup>174</sup>Clarity, J.R., "Shah is Questioned On Issue of Political Prisoners in Iran," The New York Times, 30 September 1974, p. 6.

Two more important issues that impinge upon Iran's internal stability are the questions of human rights and of the Shah's succession.

a. Human Rights

Internal security is so tight and all-pervasive that it has left Iran with a bad record of alleged human rights violations. U.S. support to the Shah through arms sales has drawn much criticism precisely because of the human rights issue. In connection with human rights in the recipient country, arms sales become a moral issue for the supplier nation.

The Shah has bluntly pointed out to Americans the different outlooks of their two countries as he sees them.

Our approach to the meaning of the word 'freedom' in our two languages is different... What suits you may be right for you, and if you are happy with it, keep it. But don't judge us by your standards. If we are happy with what we have, we are going to keep it and we are not going to obliterate it just to please you.<sup>175</sup>

His wife, Empress Farah, also provides some reasons for the present form of government.

We had a very weak leadership and the country was coming apart. There were so many parties, so many politicians. It was really a mess. Now, after 30 years, we have strong leadership...We have a challenge from the world to see if a monarchy of this kind works - a monarchy that makes a revolution from the top and introduces social laws that don't exist in other countries - land reform, laws for women's rights, laws for factory workers.<sup>176</sup>

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<sup>175</sup> Oakes, "Shah is Offering," p. 8.

<sup>176</sup> Interview With Empress Farah, San Francisco Examiner and Chronicle, 26 September 1975, p. 3.

There is disagreement in Iran with the Shah's arguments, and particularly vociferous opposition from Iranian students abroad - many of them in the United States - who consider the Shah a despot and condemn the U.S. for supporting him.

The U.S. supports many other countries, however, which also have less than ideal human rights situations. Singling out Iran on this issue is a delicate operation. Even the United Nations had a hard time doing so.

The human rights situation in Iran was considered by the U.N. Commission on Human Rights in 1975. The Commission members determined that there was not sufficient evidence presented to the Commission on which to base further action. The Commission adopted the following consensus decision: 'The Commission decides that in the case of Iran, no action is called for under (Economic and Social) Council resolution 1503.'<sup>177</sup>

Recent Carter Administration decisions to curtail aid or military sales on the basis of human rights evaluations have brought strong negative reactions from long-time friends of the U.S. Charges of "selective morality" have been levied at the U.S.

The U.S., if it persists in the effort, will find the role of moral policeman to the world as difficult, thankless and perhaps even as dangerous as the role of military policeman that it has just renounced.

A U.S. State Department official stated in 1976 that human rights should be "a matter of internal Iranian

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<sup>177</sup> Atherton, "Department Testifies," p. 436.

<sup>178</sup> "Moral Policeman to the World?," U.S. News and World Report, 14 March 1977, p. 21.

responsibility and that one sovereign country should not interfere lightly in another's domestic affairs."<sup>179</sup>

In conclusion the human rights issue could affect Iran's internal stability in two ways: 1) violations could become so flagrant and oppressive as to cause increased urban terrorism - an unlikely development in the near future, and 2) significant reductions in U.S. arms sales and support due to human rights violations would seriously impair Iran's war-waging capability. Such reductions, if significant, would also be a signal to opposition elements in Iran of decreased U.S. approval of the Shah's regime. Such a vote of no confidence could increase political instability in Iran.

b. The Shah's Succession

Another issue affecting Iran's internal stability is the question of the Shah's succession. The Shah is a prime target for any group that wishes to alter the form of government, because so much of the decision-making process is vested in the Shah alone. Iran has in fact been described as a "one bullet" country, one bullet away from a completely different political orientation.

In the event of the Shah's untimely demise, one wonders whether his modern military equipment would fall into the hands of a new domestic regime or of an outside power that opposes the United States. The same conjecture was made in the case of South Vietnam, although the predicted harmful after-effects have yet to be observed there.

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<sup>179</sup> Atherton, op. cit., p. 436.

Barring such dire events, the Shah has publicly stated that he hopes to rule for 10 to 15 more years, and to see his developments well underway before he turns control over to son, Crown Prince Reza. The Shah added that he would not disappear, but would be "in the wings" to assist Reza, who "would be older than I was when I came to the throne."<sup>180</sup>

In the event of his death prior to that time, the Shah has planned ahead.

We have provisions that the Empress will be regent until the Crown Prince (Reza, 13) comes of age when he is 20. She will rule with the help of a council. That is voted, accepted. It is legal. But I also have my political will (which has been) written, signed and sent to the people (in order to) try to keep what permitted us to be what we are - that is, to continue along our present course until the country is really developed and illiteracy does not exist any more.<sup>181</sup>

It can be assumed that either a relative, such as Empress Farah or brother-in-law General Toufanian, or another high-ranking member of the ruling elite will carry out the Shah's "political will" if the succession is an orderly one.

Given the possibility of a violent threat to his life and a radical threat to the government, the Shah has obviously made plans to ward off a succession crisis in Iran.

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<sup>180</sup> Oakes, J.B., "Shah is Offering New Plan to Aid Developing Nations," The New York Times, 24 September 1975, p. 1

<sup>181</sup> "Talk With the Shah of Iran," Time, 1 April 1974, p. 41.

## 2. Regional Stability

For roughly 150 years (prior to 1971), stability in the Persian Gulf area was provided by the power of the British government, and in particular by units of the Royal Navy. In 1968 the British announced their intention to withdraw from the Gulf by 1971. The consensus of opinion was that the resulting power vacuum would attract super-power involvement in the area.

Although most of the Gulf states disliked this probable outcome, few if any were prepared to take over Britain's former duties. There likewise appeared little likelihood for their establishing a collective security organization.

Iran, with the largest population, the largest armed forces, and one of the most stable governments in the Gulf, took the lead in filling Britain's former role.

The other Gulf states benefit from the stability provided by the Shah's forces, desiring like Iran the freedom from big-power involvement in local matters. These other states have not really protested Iran's military initiatives. Being Arab states, however, they have been cautious and watchful of the non-Arab Iran.

Iran's policy of protecting the Persian Gulf actually predates the 1968 British announcement of withdrawal. The Shah saw the British withdrawal from Aden in 1965 as a precursor of later developments. The lack of action by CENTO in the Indo-Pakistan war in 1965 also warned the Shah that while the U.S. might assist Iran in a direct confrontation

with the Soviet Union, the U.S. couldn't be relied upon in strictly local affairs.

The U.S. denial to let Iran transfer arms to Pakistan in 1965 during the war with India may be regarded as a milestone in Iran's determination to follow a course of independence. Thereafter Iran sought the capability to effect its own policy for stability in the Persian Gulf.

In the Fall of 1965 the Majles passed a \$400 million arms bill to build a navy literally from scratch. They purchased British destroyers and hovercraft, and built a major naval base at Bandar Abbas.

Within a few short years Iran made arms acquisitions to improve all of its armed services (F-4's in 1968, Rapier SAM's in 1970, and Chieftan tanks by 1971).

In 1966 Iran also concluded an arms deal for \$110 million with the Soviet Union - another "clear gesture of independence."<sup>182</sup> Iran then shifted a major army unit, the Headquarters 2nd Army Corps, from the Soviet border to Tehran, and established the 3rd Army Corps at Shiraz near the Gulf. All of these actions indicated Iran's increased interest in security in the Persian Gulf and Iran's ability to deal with it unilaterally.

In 1971 Iran conducted a large-scale tri-service Iranian military exercise in the Gulf, previewing the later occupation of force of the Tumb Islands near the Straits of

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<sup>182</sup>SIPRI, The Arms Trade, p. 378.

Hormuz in late November. These occupations on the eve of the British withdrawal were clear indicators of Iran's security interests in the Persian Gulf. Other Gulf states' reactions, while hostile, were short-lived.

Iran has demonstrated a continuing interest in Gulf stability through its actions in Oman. The Shah took an early lead when other states failed to aid the Sultan of Oman in putting down the Dhofar rebels. The Shah sent substantial forces (helicopters, F-5's, radar units, 4,500 men) to put down the rebellion.

Although a victory was declared in late 1975, Iranian units have only recently (January 1977) been reported as returning home.<sup>183</sup> Even these units were reported as being ready to return if necessary.

Since the mid-1960's Iran has shown a strong interest in the stability of the Persian Gulf. Iran considers the Gulf and its sea lanes vital to Iran's economic livelihood. Continuance of the status quo in the riparian states also impinges on Iran's political well-being. The Shah is willing to insure Gulf stability independent of outside assistance.

### 3. Iran and Indian Ocean Stability

Iran's desire for stability and security does not stop at the Straits of Hormuz, as Alvin Cotrell notes.

In various conversations with this author, the Shah has consistently and forcefully elaborated his view that Iran's vital interest in maintaining her shipments of oil to the rest of the world did not stop at the Straits

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<sup>183</sup> Tehran Journal, 27 January 1977.

of Hormuz. He is skeptical of the willingness and ability of the larger powers to protect these sea lines of communication.<sup>184</sup>

While not being able to provide security for entire voyages, Iran has stated that it will assume a responsibility for some degree of maritime security in the vaguely-defined area of the Arabian Sea and the Indian Ocean.

Iran's Indian Ocean security goals include military as well as political/economic initiatives. From a strictly military perspective Iran desires to patrol and show the flag in the northern Indian Ocean and the approaches to the Persian Gulf. An appreciation for military sea power was voiced by Vice-Admiral Abbas Ramzi Atai, Commander of the Iranian Imperial Navy, declaring that

Iran's naval forces would not allow instability and disorder to erupt 'in any spot in Iranian waters and the seas bound up with our national interests.' He warned that Iran '...was fully prepared to carry out orders at any moment and place throughout the Persian Gulf, the Sea of Oman, and the northern Indian Ocean.'<sup>185</sup>

Iran's orders for at least six P-3F ASW aircraft, four Spruance-class destroyers, and three Tang-class submarines point to probable operations in the Indian Ocean versus strictly local operations in the Persian Gulf. In fact the I.I.N. has already conducted routine operations in the Indian Ocean, joint ASW operations with Pakistan, and

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<sup>184</sup> Cottrell, A.J., "The Foreign Policy of the Shah," Strategic Review, Fall 1975, p. 7.

<sup>185</sup> Kayham (International Edition), 9 November 1974.

multilateral CENTO Mid-Link exercises. In January 1977 three I.I.N. units cruised to Bombay, India.

Iran's limited blue-water naval and maritime air operations have caused India some alarm.

...disquieting to New Delhi is the thrust Iran is making into the Indian Ocean as a credible naval power...

The Shah's ambition to make Iran an Indian Ocean power impinges on India's own security.<sup>186</sup>

There is also the remote possibility that Iran and India would cooperate, along with other littoral states, to maintain collective naval security in the Indian Ocean without the interference of the superpowers.

The Shah sees usefulness in the U.S. presence on Bahrain and Diego Garcia only as long as the Soviets are also present in the area.

I am not opposing the Diego Garcia base as long as there are other powers in the Indian Ocean. That would be silly. I have no positive figures but some people say that the Russians have 9,000 shipdays present in the Indian Ocean. (In that case) how could we tell the Americans to keep away? But we could ask them, both of them, to keep away from the Indian Ocean simultaneously.<sup>187</sup>

In conclusion it is not easy to separate Iran's altruistic goals of policing the Indian Ocean in the interest of a zone of peace from more self-oriented goals of establishing Iranian hegemony in the area.

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<sup>186</sup> Peiris, Denzil. "India's New Rival," Far East Economic Review, 4 June 1973, p. 14.

<sup>187</sup> Cottrell, "The Foreign Policy of the Shah," p. 13.

#### 4. Diplomatic and Economic Initiatives

Iran has taken diplomatic and economic measures to counter the Soviet influence that surrounds Iran on three sides.

Iran's signing of the Algiers Agreement in March 1975 was a surprise diplomatic move which virtually ended Iran's problems with Iraq. This action has been complemented by improved relations between Iran and the Arab states, Saudi Arabia and Egypt.

Iran has supported Pakistan in an effort to maintain stability on the Eastern front. The help provided to Pakistan during the 1965 and 1971 wars with India was deeply appreciated by President Bhutto who said,

that when Pakistan's airfields were exposed to Indian raids, the Pakistan Air Force had taken shelter in Iran and had flown supply missions from there. When Kharachi Port was blockaded, Tehran had provided an overland route through Zahidan.

Iran had also helped with maritime reconnaissance, provided a fully equipped military hospital, and experts to fight the fires in oil tanks in Karachi after a missile attack by the Indian Navy.<sup>188</sup>

Iran has provided Pakistan with economic aid and has virtually guaranteed the prevention of any further dismemberment of that country, either by outside wars or internal secessionist movements.

To allay Indian fears regarding Pakistan, Iran also offered oil credit to India, as well as Afghanistan, in late 1973 after the price increases and the energy crisis.

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<sup>188</sup>Peiris, op. cit., p. 16.

Oil-dependent India now receives approximately 65% of its oil from Iran.

Iran has also made diplomatic efforts to allay India's fear of Iran's recent arms acquisitions. In reciprocal visits in 1974 (Tehran in May, New Delhi in October), the Shah and Prime Minister Gandhi agreed on Iranian oil deliveries and economic aid to India. In return India would supply trained manpower to Iran.

The talks also dealt with the India-Iraq and the Iran-Pakistan relationships. Both parties reaffirmed their support for the Indian Ocean as a "Zone of Peace." The talks resulted in "very close and friendly relations."<sup>189</sup>

Iran may also have made a distinct attempt to lessen Soviet influence in India by cementing friendly relations with Mrs. Gandhi.

Iran's diplomatic and economic relations with both India and Pakistan may even promote greater stability on the subcontinent than either the United States or the Soviet Union has been able to achieve.

Conceivably, in trying to develop closer relations with both India and Pakistan, Teheran might succeed in improving relations with Delhi and Islamabad simultaneously. Moreover, Teheran's favors, so badly needed by both countries, might be so measured out to each as to induce closer cooperation between them. Because Washington and Moscow tried and failed is no guarantee that the Shah cannot be successful. <sup>190</sup>

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<sup>189</sup> Weinraub, B., "Iran and India Say Links Are Growing," The New York Times, 5 October 1974, p. 7.

<sup>190</sup> Writtens, H., "Changing Power Relations Between the Middle East and South Asia," Orbis, Fall 1976, p. 799.

Another little-noticed effort at Indian Ocean stability was Iran's diplomatic initiatives with China. The Chinese influence in the littoral states has been small and low-keyed. Of most direct concern to Iran was the Chinese support to the Dhofar rebels in Oman. Iran was able to remove this support through recognition of the P.R.C. in September 1971 and by a visit to China of Empress Farah in 1972. Iran's recognition of China may be seen as an attempt to balance Soviet influence in the Indian Ocean area.

#### 5. Conclusion

In reviewing Iranian and U.S. perspectives on stability in the Persian Gulf area, several major points stand out. Iran perceives its massive internal development programs as critical to its future. These programs have required large social changes which have been resisted by a number of internal elements. Certain authoritarian measures have been employed to quiet this opposition. Human rights advocates in the U.S. have urged the application of arms sanctions against Iran until the internal situation improves.

The Shah has rejected criticism of his human rights stance, noting that Iran is a sovereign country and that he will do what he feels is necessary to achieve discipline. The Shah has also laid plans for an orderly succession should his opponents succeed in removing him.

Having secured itself internally, Iran has sought to insure stability in the surrounding area. Its measures to do so have included selective military actions, as well

as diplomatic and economic initiatives to enhance its position in the Persian Gulf/Indian Ocean region.

Iran's rise to power has partially filled the vacuum left by the British withdrawal. This increase in power has been possible through Iran's increased economic power to purchase larger air, land and naval forces. The presence of these forces and the improvements in Iran's diplomatic interactions have been instrumental in regaining a measure of stability for the Persian Gulf, and to a lesser degree, the Indian Ocean.

## VI. CONCLUSIONS

### A. REASONS FOR ARMS DEMAND

#### 1. New Roles for Iran

The increase in arms sales from the U.S. to Iran in the late 1960's and in the 1970's was due in part to Iran's changing roles and relationships. The lack of CENTO support for Pakistan in 1965, the British military withdrawal from the Persian Gulf (1968-1971), the lack of a U.S. or Western replacement for the British force, the influx of a Soviet presence in the area, and the accelerated economic importance of oil following the OPEC actions of 1973 caused major changes in Iran's previous relationships.

These changes indicated to Iran that it alone must be more responsible for its own defense and security interests. Iran came to appreciate its position as a significant regional power and as a potential world power of the second rank, i.e., equal to a European power such as West Germany. This new appreciation was coupled with a demand for the trappings of a modern state, including modern arms as well as industrial development and social programs.

Concomitant with Iran's appreciation in stature has been a relative depreciation in the role of the U.S. as a guarantor of regional security interests. The so-called "Nixon Doctrine" sought to replace the security formerly obtained through overseas troop and treaty commitments with

increased arms sales so that friendly countries might provide for their own security.

## 2. Threat Rationale

External threats are routinely paraded as part of the justification for Iranian arms purchases. Close inspection shows, however, that the actual present threats to Iran are now at a nearly all-time low. The resolution of differences between Iran and Iraq in March 1975 greatly reduced major tension with Iran's foremost rival.

A successful end to the fighting in Oman's Dhofar Province in December 1976 ended another major potentially destabilizing incident.

Iran has made concerted efforts to maintain good relations with her Gulf neighbors, Saudi Arabia and Kuwait. Iran has also sought to improve relations with Egypt, Pakistan, India, and China. Her relations with the U.S.S.R., Iran's long-time threat from the north, are at least good.

Even so, a large number of potential threats still exist. Iran at times considers itself almost an outsider among a host of Arab neighbors. On another level the Shah pictures Iran as surrounded by a bevy of communist-influenced states, by the Soviet Union itself, and by a new and expanding Soviet naval presence in the northern Indian Ocean.

Iran seeks at least a credible deterrent force to counter these potential threats. Iran's desire for modern arms also reflects the country's dependency on oil revenues and Iran's desire for the means to protect its vital natural

resources. The Shah then rejects any outside evaluation of Iran's security requirements as paternalistic meddling.

### 3. Filling A Power Vacuum

Iran's demands for arms was also affected by the low military posture from which Iran started. Iran along with most other Persian Gulf states long relied on the British military to provide stability "east of Suez." With the realization that this era was ending and that a regional alliance was not really operable, Iran felt obligated to provide for its own security.

The jump from a "palace guard" army to a modern, well-rounded multi-role force explains much of the increase in military sales to Iran.

The arms build-up in the Persian Gulf has been portrayed as an arms race. Iran's rivalry with Soviet-backed Iraq fits this description better than does Iran's relationship with Saudi Arabia. The Saudis have sought an independent security capability rather than a weapon-for-weapon race with Iran.

More importantly the current level of arms acquisitions in both countries shows how much cheaper was the previous stability provided by the physical and psychological presence of British military and naval forces. The stability which might have resulted from a continuance of the British forces at the behest and expense of the Gulf states makes an interesting hypothesis.

#### 4. A Lightning War

A final major factor affecting the current demand for arms in the Persian Gulf is the "lessons learned" from the October 1973 War. Past patterns have shown that a country's arms acquisitions usually increase after the end of a war. Weapons and tactics have been through "live-fire" testing and countries readjust their inventories according to their new evaluations.

Some of the lessons learned from the most recent Arab-Israeli conflict apply to Iran. The quick nature of desert warfare, the high attrition of equipment, the requirement for mobile SAM protection, the need for troop mobility, new uses of tanks and anti-tank weapons, and the importance of electronic countermeasures and command-and-control systems are a few of the examples.

Iran has noted particularly the dependency of Israel on U.S. arms resupply efforts. The short nature of past Middle East wars and the high attrition of equipment have increased Iran's desire to have as high an inventory of equipment as it can reasonably afford. The difficult question of "how much is enough" is complicated by the penalties for being caught short.

### B. REASONS FOR ARMS SUPPLY

#### 1. Economic Reasons

A major factor influencing U.S. supply of arms to Iran has been the economic benefits. Although this topic is usually listed at the end of any official pronouncements, its impact is significant.

The recent upsurge in U.S. arms sales to Iran has had an appreciable effect in offsetting Iran's increased oil prices. Iran's arms purchases have also had a profound effect on lengthening production runs of major U.S. weapons systems. In addition to lowering the unit costs from the production end, Iran has subsidized research and development costs at the start-up end of U.S. weapons procurements. Iran's arms orders also provide a substantial source of employment in the U.S.

Iran has also affected U.S. procurement decisions. Through loans to U.S. manufacturers, early announcements of commitments, and funding for research and development, Iran may have provided the impetus at the critical time when a "go/no-go" decision was being made.

U.S. arms manufacturers and U.S. service branch representatives have been accused of stimulating Iranian demand for U.S. arms through high-pressure salesmanship. In spite of these charges of arms peddling, there remains the fact that U.S. arms were bought in many cases because they were good. U.S. arms are the products of a highly sophisticated technological base. They have been proven in combat (Vietnam and Arab-Israeli wars), and they have the best reputation in the world for follow-on support.

A final economic benefit from U.S. arms sales to Iran has been the spin-off demands for non-arms civilian sales. As the U.S. involvement and reputation in Iran has increased, so has the demand for non-military goods that are "Made in U.S.A."

A recent trade agreement signed in Tehran by Secretary Kissinger promised \$40 billion in non-arms trade between the U.S. and Iran over the next five years. The \$40 billion exceeds the arms sales agreement of \$10-15 billion over the same period of time.

## 2. Influence

Arms sales theoretically buy the supplier nation influence and good relations with the recipient. It appears that arms sales are an integral part of diplomacy. It is extremely difficult to be friendly with another country while prohibiting or severely restricting arms sales, particularly if that country is dependent on outside suppliers.

U.S. influence in Iran is best defined in terms of the transfer of U.S. intellectual, cultural, scientific, and military values to Iran through the expanding presence of Americans "in-country." U.S. influence in Iran's foreign and domestic policy-making through the arms supply system is, however, highly constrained and limited. In addition to having limited effect on Iran's independent course of action, a restrictive U.S. arms sales policy toward Iran would probably result in hostile reaction from the Shah.

## 3. Security Interests

The other major U.S. rationale for arms sales to Iran is the national security interests of the United States. The U.S. is not prepared to bolster Persian Gulf stability with more than the token force already in Bahrain - the U. S. Middle East Force. The U.S. does, however, have a high interest in the area and an increasing dependency on its oil.

Consequently the U.S. has sought to arm local friendly forces and substitute them for the costly overseas basing of U.S. troops.

#### C. IMPLICATIONS

##### 1. Interdependence

The largest problem area in U.S.-Iranian arms transfers is interdependency. The U.S. has become the main supplier to Iran of aircraft and radar systems, and has supplied Iran with a significant proportion of its other military hardware. These sales usually call for follow-on set-up, check-out, maintenance, training, and parts services. Even if U.S. deliveries of new equipment were halted now, the follow-on services for the equipment already delivered might continue for 10-15 years.

This entanglement of U.S. support personnel was evidently foreseen, if not planned, by the Shah as an unwritten security commitment from the U.S. The U.S. has a contractual, if not a moral, obligation to support Iran's equipment or risk loss of confidence from other current and potential allies and arms customers. It is also conceivable that continued U.S. access to Iranian oil is dependent on continued U.S. arms sales to the Shah.

While there is general agreement that U.S. goals are very similar to those of Iran now, the future leaves room for doubt. While the U.S. may now willingly sell Iran arms to deter its potential enemies, to secure the Persian Gulf as an oil source, to help fill the power vacuum in the Indian

Ocean, and to bolster U.S. defense industries and earn balance-of-payment offsets; some future results may not be acceptable.

The military dependency of Iran on the U.S., particularly in the case of the Iranian air force, is disturbing. One wonders whether U.S. planners also foresaw the implications of large sales commitments to the Iranian armed forces. One would hope that in the future the U.S. would conduct an arms sales policy in line with the nation's best interests and free of implied commitments.

## 2. Hostage Americans

The problem of hostage Americans involves the estimated 30,000 Americans in Iran. While only a fraction of them are actually connected with the arms deliveries (most are civilian contractors or dependents), they present the U.S. with a large problem should Iran be drawn into an armed conflict. The U.S. would automatically be drawn into that conflict in order to protect a large number of U.S. citizens. By the same token, of course, the American presence might also have a deterrent effect on Iran's enemy. In either case the Americans in Iran would become, in one sense or another, hostages.

Also of increasing concern is the problem not of hostage, but of "ugly" Americans in Iran. The opportunities for cross-cultural friction have evidently increased proportionately with the number of Americans in the country.<sup>191</sup>

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<sup>191</sup>Cooley, J.K., "U.S. Civilian Role In Iran 'Defense' Controversial," Christian Science Monitor, 8 March 1977, p. 1.

### 3. Pre-emptive Supplier

Iran has occasionally bought Soviet or West European weapons to signal its displeasure with the size or the modernity of U.S. arms transfers. In nearly all cases the U.S. responded by liberalizing its offering on the contention that the U.S. must sell arms to prevent the Soviets from gaining a foothold in Iran. Given the nature of the country, the past remarks of its leader, and Iran's long opposition to Soviet influence and communism; this prospect seems remote. There appears to be little likelihood that Iran is easily open to Soviet penetration.

### D. RECOMMENDATIONS

Present U.S. policy of case-by-case evaluation of arms sales within the framework of current laws, while not perfect, appears to be a reasonably effective method of handling a difficult issue. In the case of Iran, however, the evaluation process was completely bypassed by Executive fiat at a critical time period. This action opened the gates to arms sales that went "out of control" and left the U.S. with an almost irreversible commitment to Iran.

The long-term contracts and commitments have created an Iranian dependency on the U.S. that is not ideal; but rather than completely restructuring the arms sales process, it would be beneficial to examine the present process in cases where it was not overridden and was allowed to function. It is unlikely that additional laws would provide a better arms sales policy than the case-by-case discussion, review, and evaluation called for by present laws.

The outspoken personality of the Shah and the sensational publicity afforded his arms purchases will probably elicit increasingly restrictive U.S. arms sales policies anyway. One possibly beneficial amendment that was dropped from the Arms Export and Control Act of 1976 was the \$9 billion ceiling on total foreign arms sales. Such a ceiling might have the beneficial effect of promoting more open discussion of arms sales to various countries. Proponents of each country would essentially be competing for a variably-sized portion of the fixed amount.

When total sales requests surpassed the ceiling, the less worthy would be rejected or all the requests would be cut back by some degree. If such a ceiling would promote discussions and open debate on U.S. interests in selling arms to countries such as Iran, the proposal would be of much merit.

Any U.S. arms sales curtailment is likely to elicit strong objections from the Shah. It is unlikely that he would embargo oil to the U.S., because Iran depends too heavily on oil revenues for him to do so. A more likely response would be to reduce purchases of non-military U.S. goods and services.

The U.S. arms sales problem may, however, be on its way to solving itself. The sensationalism of the high dollar amounts of arms sales to Iran is on the wane, and the Iranians themselves have announced some cutbacks in defense spending as a result of decreased oil revenues.<sup>192</sup>

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<sup>192</sup> Cumming-Bruce, N., "Fluctuations in Oil Market Upset Budget Estimates," Middle East Economic Digest, 11 Mar 1974, p. 4.

Iran's heavy dependency on U.S. arms may also be fading. General Toufanian's recent arms shopping trip to the Soviet Union, and Iran's consideration of the French Mirage 2000 instead of the U.S. F-18L to replace the F-4 are signals of the new trend.

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<sup>193</sup>"Offer to Iran," Aviation Week and Space Technology, 14 March 1977, p. 13.

## APPENDIX A

Preamble and Selected Articles of U.S.-Iranian Treaty of  
Friendship and Commerce, signed 13 December 1856, Effective  
13 June 1857:<sup>194</sup>

In the name of God the Element and the Merciful.

The President of the United States of North America, and his Majesty as exalted as the Planet Saturn; the Sovereign to whom the Sun serves as a standard; whose splendor and magnificence are equal to that of the Skies; the Sublime Sovereign, the Monarch whose armies are as numerous as the Stars; whose greatness calls to mind that of Jeinshid; whose magnificence equals that of Darius; the Heir of the Crown and Throne of the Kayanians; the Sublime Emperor of all Persia, being both equally and sincerely desirous of establishing relations of Friendship between the two Governments, which they wish to strengthen by a Treaty of Friendship and Commerce, reciprocally advantageous and useful to the Citizens and subjects of the two High contracting parties, have for this purpose named for their Plenipotentiaries,

The President of the United States of North America, Carroll Spence, Minister Resident of the United States near the Sublime Porte; and His Majesty the Emperor of all Persia, His Excellency Emin ul Molk Farrukh Khan, Ambassador of His Imperial Majesty the Shah, decorated with the portrait of the Shah, with the great cordon blue and bearer of the girdle of diamonds, &c, &c, &c, &c.

And the said Plenipotentiaries having exchanged their full powers, which were found to be in proper and due form, have agreed upon the following articles.

### Article I

There shall be hereafter a sincere and constant good understanding between the Government and citizens of the United States of North America and the Persian Empire and all Persian subjects.

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<sup>194</sup> Bevans, C.I., Treaties and Other International Agreements of the United States of America, 1776-1949, vol. 8, p. 1254, U. S. Government Printing Office, 1971.

## Article II

The Ambassadors or Diplomatic agents, whom it may please either of the two high contracting parties to send and maintain near the other, shall be received and treated, they and all those composing their Missions, as the Ambassadors and Diplomatic agents of the most favored nations are received and treated in the two respective countries; and they shall enjoy there, in all respects, the same prerogatives and immunities.

## APPENDIX B

### SELECTED ARTICLES OF THE CENTRAL TREATY ORGANIZATION PACT:<sup>195</sup>

Art. 1. Consistent with Art. 51 of the U.N. Charter, The parties will co-operate for their security and defense. Such measures as they agree to take to give effect to this co-operation may form the subject of special agreements with each other.

Art. 3. The parties undertake to refrain from any interference whatsoever in each other's internal affairs. They will settle any disputes between themselves in a peaceful way in accordance with the U.N. Charter.

Art. 5. This pact shall be open for accession to any member-State of the Arab League or any other State actively concerned with the security and peace in this region and which is fully recognized by both of the parties. Accession shall come into force from the date on which the instrument of accession of the State concerned is deposited with the Ministry of Foreign Affairs of Iraq. Any acceding State...may conclude special agreements, in accordance with Art. 1, with one or more States parties to the present pact.

Art. 7. This pact remains in force for a period of five years, renewable for further five-year periods. Any contracting party may withdraw from the pact by notifying the other parties in writing of its desire to do so six months before the expiration of any of the above-mentioned periods, in which case the pact remains valid for the other parties.

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<sup>195</sup> Keesing, Treaties and Alliances of the World, p. 174, Keesing, 1968.

APPENDIX C

ARTICLES OF THE U.S.-IRANIAN BILATERAL DEFENSE AGREEMENT OF  
5 MARCH 1959.<sup>196</sup>

Art. 1. The Government of Iran is determined to resist aggression. In case of aggression against Iran, the U.S. Government, in accordance with the U.S. Constitution, will take such appropriate action, including the use of armed forces, as may be mutually agreed upon and as is envisaged in the Joint Resolution to Promote Peace and Stability in the Middle East, in order to assist the Government of Iran at its request.

Art. 2. The U.S. Government, in accordance with the Mutual Security Act of 1954, as amended, and related laws of the U.S.A., and with applicable agreements heretofore or hereafter entered into between the U.S. and Iranian Governments, reaffirms that it will continue to furnish the Government of Iran such military and economic assistance as may be mutually agreed upon between the U.S. and Iranian Governments, in order to assist the Government of Iran in the preservation of its national independence and integrity and in the effective promotion of its economic development.

Art. 3. The Government of Iran undertakes to utilize such military and economic assistance as may be provided by the U.S. Government in a manner consonant with the aims and purposes set forth by the Governments associated in the declaration signed at London on July 28, 1958, and for the purpose of effectively promoting the economic development of Iran and of preserving her national independence and integrity.

Art. 4. The U.S. and Iranian Governments will co-operate with the other Governments associated in the declaration signed at London on July 28, 1958, in order to prepare and participate in such defensive arrangements as may be mutually agreed to be desirable, subject to the other applicable provisions of this agreement.

Art. 5. The provisions of the present agreement do not affect the co-operation between the two Governments as envisaged in other international agreements or arrangements.

Art. 6. This agreement shall enter into force upon the date of its signature and shall continue in force until one year after the receipt by either Government of written notice of the intention of the other Government to terminate the agreement.

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<sup>196</sup> Ibid., p. 176.

APPENDIX D

EXTRACTS FROM THE TEXT OF THE IRAQI-IRANIAN JOINT COMMUNIQUE  
(ON SHATT AL-ARAB 7 MARCH 1975).<sup>197</sup>

In application of the principles of the territorial integrity of soil and borders and of non-interference in internal affairs, the two high-level contracting sides have decided on the following: (1) To make a final demarcation of their land borders in accordance with the Constantinople protocol of 1913 and the minutes of the committee for the demarcation of borders for 1914; (2) to define their maritime borders in accordance with the Thalweg line; (3) to restore, in accordance with the above, security and mutual confidence along their joint borders. The two sides, consequently, will maintain strict and effective control over their joint borders in order to put a final end to all subversive infiltration from either side; (4) the two sides have agreed to regard the foregoing arrangements as inseparable elements of a comprehensive solution. Consequently, any violation of the contents of these provisions will naturally contradict the spirit of the Algiers agreement.

The two sides will remain in constant touch with President Houari Boumedienne who, when necessary, will offer the fraternal assistance of Algeria in the application of these decisions. The two sides have decided to restore the traditional ties of good neighbourliness and friendship, particularly by eliminating all the negative factors in their relations through the constant exchange of views on questions of joint interest and the development of mutual co-operation. The two sides officially announce that the area should be safe from any foreign intervention.

The Foreign Ministers of Iraq and Iran will meet on 15 March 1975 in Tehran in the presence of the Algerian Foreign Minister to draw up the arrangements for the work of the Iranian-Iraqi mixed committee which has been established for the purpose of implementing the decisions adopted in the joint agreement noted above. In accordance with the desire of the two sides, Algeria will be invited to attend the meetings of the Iranian-Iraqi mixed committee. The mixed committee will define its agenda and methods of work in order to meet, if necessary, alternately in Baghdad and Tehran.

His Majesty the Shah of Iran has accepted with pleasure the invitation extended to him by His Excellency President Ahmad Hasan al-Bakr to pay an official visit

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<sup>197</sup> "Extracts From the Text of the Iraqi-Iranian Joint Communique," Middle East Economic Digest, 14 March 1975, p. 19.

to Iraq. The date of this visit will be fixed by joint agreement. Saddam Hussain has also agreed to pay an official visit to Iran on a date to be fixed by the two sides.

## APPENDIX E

ORDER OF BATTLE: IRAN.<sup>198</sup>

Population: 33,810,000

Armed Forces: 300,000 (0.88% of population)

GNP (1975): 56.8 billion

Defense Expenditures: \$9.5 billion ('76-'77) (16.7% of GNP)

ARMY: 200,000 Active (66.6% of armed forces)  
 300,000 Reserves  
 70,000 Gendarmerie

<u>Tanks</u>	710	Chieftan	British
	415	M-47/48	U.S.
	530	M-60 A1	U.S.
	100	M-41	U.S.
	250	Scorpions	British
<u>APC's</u>	325	M-113	U.S.
	270	BTR-50	U.S.S.R.
	300	BTR-60	U.S.S.R.
<u>Art'y (Howitzer)</u>	650	75mm, 105mm, 130mm, 155mm, 175mm, 203mm	
<u>AAA (guns)</u>	650	23mm, 35mm, 40mm, 57mm, 85mm	
<u>SSM (missiles, anti-tank)</u>	10,000	Dragon (FGM-11A)	U.S.
	---	Entac (MGM-32)	France
	---	Swingfire	U.K. (for Scorpions)
	2,000	TOW (MGM-71)	U.S.
<u>SAM (missile)</u>	---	Hawk (MIM-23)	U.S.
	1,000+	Improved Hawk	
	2 batteries	Rapier (ET-316)	U.K.
	25 systems	Tigercat	U.K.
<u>ARMY AIR (prop)</u>	45	Cessna 185	U.S.
	6	Cessna 310	U.S.
	10	Cessna 0-2A	U.S.

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<sup>198</sup> OOB for Iran was drawn from the following sources: Defense Foreign Affairs Handbook, 1976-77, p. 220, Copley, 1976; "Middle East Defense," Flight International, 19 June 1976, p. 1654; Foreign Military Markets, "Iran Summary," Defense Marketing Service, 1976.

(helo)	170	AH-1J Cobra	U.S.
	150	Bell 214A	U.S.
	20	HH-43 Huskie	U.S.
	52	AB-205A	U.S.
	15	CH-47C	U.S.

ARMY, ON ORDER

1540	Chieftan tanks	U.K.
35	Scorpion lt. tank	U.K.
--	BMP-1 APC	U.S.S.R.
358	M-113 APC	U.S.
--	Fox scout car	U.K.
--	Dragon anti-tank msl	U.K.
12,667	TOW anti-tank msl	U.S.
--	ZSU-23/4 AAA	U.S.S.R.
80	Rapier SAM	U.K.
--	Tigercat SAM	U.K.
--	SA-7 SAM	U.S.S.R.
--	130mm art'y	U.S.S.R.
32	AH-1J Cobra	U.S.
137	Bell 214A	U.S.
400	Bell 214A	co-produce
--	MAZ tank transports	U.S.S.R.

NAVY

18,500 personnel (6.2% of armed forces)

SHIPS

3	Destroyers, SAM equipped	U.S.
4	Frigates SAM and SSM equipped	U.K.
4	Corvettes ex-U.S. PF's	
25	Patrol Boats	
5	Minesweepers	
2	Landing Ships	
2	Landing Craft	
2	Logistics Ships	

HOVERCRAFT

8	SRN-6	U.K.
6	Wellington BH-7	U.K.

NAVAL AIR

6	P-3F patrol	U.S.
4	F-27 cargo	F.R.G.
6	RH-53D ASW	U.S.
7	SH-3D ASW	U.S.
5	AB-205A	Italy
14	AB-206A	Italy
6	AB-212	Italy
13	SH-53D	U.S.

NAVY, ON ORDER

4	Spruance-class DD	U.S.
12	FPBG La Combattante, Exocet SSM	France
2	Landing Craft	U.S.
6	S-5A	U.S.
3	ex-U.S. Tang-class diesel submarines	

Surface-to-air Missiles on order

60	Seacat for frigates	U.K.
--	Standard RIM-66	U.S. 25nm
--	Tarter RIM-24	U.S. 10nm
--	Terrier	U.S. 20nm

Surface-to-surface Missiles on order

--	Exocet for La Combattante	France 28nm
200+	Harpoon	U.S.
60	Seakiller	Italy
500	SS-11	France 1.9nm
500	SS-12, AS-12	France 3.7nm

AIR FORCE 81,500 (27% of armed forces)  
317 combat aircraft

Fighter/bombers 24 squadrons (8 being formed)

32	F-4D	2 sqdns
141	F-4E	8 sqdns
12	F-5A	1 sqdn
100	F-5E (replace F-5A)	9 sqdns

Fighters 24 F-14A (total order: 80) 1 sqdn

Recce. 4 RF-4E 2 sqdns total  
13 RF-5A

Transport 57 C-130E/H 4 sqdns

Tankers 12 B-707-320C (KC-135)  
12 B-747 (Iran Air)

Light Transport

18	F-27	FRG
4	F-28	FRG
6	C-54	U.S.
5	C-47	U.S.
7	Beaver	Canada
3	Aero-Commander 690	U.S.
4	Falcon	

Helos 10 HH-43 Huskies U.S.  
45 AB-205 IT (U.S. lic.)  
32 AB-206A IT (U.S. lic.)  
5 AB-212 IT (U.S. lic.)  
20 CH-47C U.S.  
16 Super Frelon France

Trainers 30 T-41 U.S.  
9 T-33/T-6 U.S.  
2 E-3A U.S.  
18 F-5B U.S.

Surface-to-air missile

-- Rapier/Tigercat

U.K.

AIR FORCE, ON ORDER

56	F-14A (total 80)
36	F-4
41	F-4E
12	RF-4E
28	F-5E
6	P-3F
19	Boñanza
2	F-27
22	CH-47 helo
39	Bell 214C helo
--	Blindfire SAM radar
250	F-18L (requested)
--	E-2C
3	P-3C ELINT-equipped

Air-to-air missiles on order

range

--	Falcon AIM-4	6nm
80	Phoenix AIM-54A	126 nm
768	Sidewinder AIM-9	--
768	Sparrow AIM-7	10-16nm

Air-to-surface missiles on order

2,500	Maverick AGM-65	15-30nm
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APPENDIX F

ORDER OF BATTLE: IRAQ<sup>199</sup>

Population: 11,490,000

Armed Forces: 158,000 (1.4% of population)

GNP: \$13,400,000,000 (1975)

Defense Expenditures: \$1,191,000,000 (8.8% of GNP, 1975-1976)

Army 140,000 Active (88.6% of armed forces)  
250,000 Reserves

Tanks:

1200	Heavy tanks	T-62, T-54/55
90	Medium tanks	T-34
100	Light tanks	PT-76
<u>1390</u>	total tanks	

Armored Personnel Carriers:

1600 APC's BTR-60/152, BMP-76

Artillery:

700	75, 85, 100, 120, 130, 152mm howitzers
50	SU-100mm SPG
40	JSU-152mm SPG
--	120mm, 160mm mortars

AAA: 800 23mm, 37mm, 57mm, 10mm guns

SAMS: SA-2, SA-3, SA-7

SSM: FROG: SS-1C SCUD-B

Navy 3,000 Personnel (1.9% of armed forces)

3	S.O.-1	Sub Chasers	
6	OSA-I	PTFG	SSN-2 Styx
4	OSA-II	PTFG	SSN-2 Styx
12	P-6	torpedo boat	
2	T-43	MSF	
20	small patrol boats		

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<sup>199</sup>Sources for the Iraqi OOB included the following:  
"Iraq," Defense Foreign Affairs Handbook, 1976-1977, p. 224,  
Copley, 1976; "Middle East Defense," Flight International,  
19 June 1976, p. 1655; "Iraq Survey," Foreign Military  
Markets, Defense Marketing Service, 1976.

Air Force 15,000 personnel (9.5% of armed forces)  
299 combat aircraft 540 total aircraft

Bombers:

12	TU-22	Blinder
9	TU-16	Badger
10	IL-28	Beagle

Fighter/bomber:

40	MIG-23	Flogger	2 sqdns
50	SU-7B		3 sqdns
30	MIG-17	Fresco	3 sqdns
50	Hawker-Hunter		3 sqdns

COIN/Lt. Attack: 20 T-52 Jet Provost

Interceptors:

90	MIG-21	Fishbed	5 sqdns
20	MIG-19	Farmer	

Transport: (2 sqdns)

Trainers: 30 various

12	AN-2
6	AN-12
10	AN-24
2	TU-124
13	IL-14
2	Heron

Helicopters: (7 sqdns)

4	Mi-1
35	Mi-4
16	Mi-6
30	Mi-8
40	Alouette III + 20 on order
9	Wessex 52

-- L-39 Trainer on order

APPENDIX G

ORDER OF BATTLE: SAUDI ARABIA<sup>200</sup>

Population: 5,000,000 - 6,000,000

Armed Forces: 51,000 (0.85% of population)

GNP: \$24.8 billion (1974)

Defense Expenditure: \$6.7 billion (1975-1976)

Army: 40,000 active personnel  
20,000 National Guard  
6,500 Frontier Force (coast guard)

Tanks:	250	M-60	
	15	M-21	Chaffee
	300	AMX-309	+100 on order
	25	M-47	Medium
	60	M-41	Light

Armored Cars/scout cars	
200	AML-60/90
---	Staghound
---	Greyhound
---	Ferret (scout car)

Artillery: 105mm, 75mm guns

SAM's:	60	Hawk launchers	(10 batteries)
	441	Hawk missiles	291 MIN-23B
			105 MIN-23A

SSM's:	2,000	SS-11, Harpoon
	2,000	TOW

On order:

340	105mm howitzer
100	AMX-30
250	M-60
250	Scorpion
250	M-113
120	V-150
	Commando Armored Car

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<sup>200</sup> Sources for the Saudi Arabian OOB were as follows: Defense Foreign Affairs Handbook, 1976-1977, p. 394, Copley, 1976; "Middle East Defense," Flight International, 19 June 76, p. 1662; "Saudi Arabia Survey," Foreign Military Markets, Defense Marketing Service, 1976.

---	AMX-10P	APV
---	Guns/howitzers	
---	AMX-30 SA, SP AAA guns	
---	Rapier	SAM
---	Crotale	SAM (2 batteries)
---	I-Hawk	SAM (10 batteries) 60 launchers)
2	batteries, Crotale (Shahine)	mobile SAM

<u>Navy:</u>	1500 active personnel	
	3 PTF	Jaguar patrol craft
	6 Patrol Craft	

**On order:**

6	FPB
4	MSC
2	LCU
3	LCM

<u>Coast Guard:</u>	50 small patrol boats	
	8 SRN-6 hovercraft	

<u>Air Force:</u>	10,000 active personnel	
	117 combat aircraft	

**Fighter/bomber:**

30	F-5E	(2 sqdns)
20	F-5B	(sqdn #15 at Daharan, converted trainers)

**Interceptors:**

32	F-53	Lightning
2	F-54	Lightning
3	F-52	Lightning

**Light Attack/training:**

30	BAC 167 Strikemaster	
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**Transports:**

40	C-130 E/H	
4	KC-130H	tanker
4	KC-135	tanker

**Helicopters:**

200	AH-1	Cobra (440 total order)
16	AB-206	Jet Ranger
24	AB-205	
2	Alouette	

On order:

240	AH-1J	Cobra
38	Mirage III	
40	F-5E	
4	F-5B	
20	F-5F	
4	KC-130	
11	BAC-167	

Missiles:

1000	Maverick	650 on order
1250	Sidewinder	on order
2000	TOW	1000 on order
4000	Dragon	2000 on order
----	Magic	air-to-air
100+	Harpoon	
400	I-Hawk	

APPENDIX H  
SOVIET NAVAL PRESENCE IN THE INDIAN OCEAN<sup>201</sup>

<u>YEAR</u>	<u>SHIP/DAYS</u>
1968	1,200
1969	4,000
1970	5,000
1971	4,000
1972	8,800
1973	9,000
1974	10,600

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<sup>201</sup>Blechman, Barry M., The Control of Naval Armament, Brookings Institute Study, 1975, p. 95.

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